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Daily Report

East Asia

**FBIS-EAS-94-207
Wednesday
26 October 1994**

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Daily Report

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Japan

Framework Glass Talks Accord Expected This Week

OW2610123994 Tokyo NIHON KEIZAI SHIMBUN in Japanese 26 Oct 94 Morning Edition p 5

[FBIS Translated Text] Flat glass negotiations under the Japan-U.S. economic framework talks will start in Tokyo on 26 October. Ryutaro Hashimoto, head of the Ministry of International Trade and Industry [MITI], and U.S. Trade Representative Mickey Kantor reached a basic agreement on the sector in talks held early this month.

The two countries are supposed to work out the details of the agreement by the end of October. As it appears that there is still a gap between Japan and the United States on the issue of objective criteria, Masataka Sase, director general of MITI's Consumer Goods Industries Bureau [CGIB], and Assistant U.S. Trade Representative Ira Wolf plan to work out the final details and find complete agreement within this week.

Among U.S. demands is one that the number of independent wholesalers dealing with foreign-made products be used as an objective criterion to measure the progress of U.S. products' access to the Japanese glass market. The CGIB, however, has rejected the idea, saying it "cannot accept a situation in which this U.S. demand serves as a future goal." Although MITI intends to speed up final consultations so that documents can be exchanged as soon as possible, it remains uncertain that final agreement will be reached.

Changes in U.S. Stance Toward Tokyo Cited

OW2510150994 Tokyo NIHON KEIZAI SHIMBUN in Japanese 21 Oct 94 Morning Edition p 5

[By Shigeru Shison in Washington]

[FBIS Translated Text] "Japan-U.S. ties are the most important of all bilateral relations." This was a standard argument which high-ranking U.S. Government officials, including President Clinton, were frequently making until this summer. Of late, however, we no longer hear such remarks. A high-ranking U.S. Government official commenting on the reason for this said: "This is a sign that some officials are beginning to express their views on the need to review the policy of attaching too much importance to Japan and policies toward Japan." We can note a subtle change taking place within the U.S. Government, which continued to have excessive hopes regarding the Japanese market.

Let me present recent changes noted in remarks by several U.S. Government authorities?

First evidence: American industrial groups such as the National Association of Manufacturers and influential U.S. corporations recently informed the U.S. Government that there is a limit to the Japanese market. They

said: 1) Following the arrival of the aging society in Japan and outflow of factories to other countries, the Japanese market will lose its potential power of growth; 2) There are many government regulations and it will take time to ease them; and 3) Due to high business costs caused mainly by high land prices, the investment earning rate is low. The purport of the report is to tell the government that the United States should attach importance to liberalization of markets in other Asian countries, which have better growth power than Japan.

Second evidence: The U.S. Government, for the time being, is leaning toward choosing the small satellites, not optic fiber, for the formation of the next-generation communication network. The reason is that "relay points can be built in different countries and we can easily make a bypass relay through South Korea, Hong Kong, or Singapore without insisting on Japan, where there are many regulations," (according to a U.S. authority).

Third evidence: At the U.S. Government's Asian policy meetings held in and after September, a high-ranking official of the U.S. Commerce Department raised a question regarding the policy of attaching too much importance to Japan, saying: "Is it worth the effort to spend a huge amount of money, as we have been doing, only for liberalization of the Japanese market?" It is said that Robert Rubin, assistant to the president and in charge of the National Economic Council (NEC), also stressed that "judging from a viewpoint of our policies' long-term effect, we need to reexamine the way we attach importance to Japan."

Both remarks indicate that opinions of U.S. officials are becoming diverse and the spirit of "settling the Japanese issues first before taking care of other Asian matters" is somewhat losing its grip. They feel tired of the fact that the Japan-U.S. framework talks are producing almost no results. At the same time, we cannot overlook the point that the "cool attitude" of the U.S. industrial circles—which are interested in the markets of other Asian countries, where the growth rate is higher than Japan—pulled the trigger for the change in atmosphere. It seems that this is the background against which the officials, who were in favor of "attaching the greatest importance" to Japan, toned down their voices.

Of course, we cannot say that the officials, who call for a review of the policy, are in the majority. U.S. Trade Representative Mickey Kantor, who was under pressure from Congress and industrial circles, stressed: "Politically, we can no longer bear the fact that the amount of our deficit only in trade with Japan is not shrinking. The economic policies toward Japan are still the top priority tasks." It seems that he will not change his hardline stand regarding auto and auto parts, which are the major causes of the U.S. trade deficit.

Officials of the Department of Defense and the Department of State are saying that they cannot be optimistic about the East Asian situation even after the agreement was reached on the North Korean nuclear issue. From

the viewpoint of security matters, they are saying: "It is unlikely for the time being that we will review our stance of attaching importance to policies toward Japan."

However, it is also true that the call for a partial review brought about a change in U.S. policies toward Japan. At a department meeting held last week, the U.S. Government firmed up its policy designed to shift U.S. emphasis at the framework talks to deregulation, investment expansion, and macro policies. At first glance, it seems that the U.S. Government has assumed a flexible stance. However, a high-ranking U.S. Government official said: "It is a test case to see if Japan will seriously buckle down to the task of improving the structural issues, such as excessive government regulations, which are the primary causes of the view that there is a limit to expansion of the Japanese market."

A high-ranking official said that, should the Japanese Government delay deregulation, more U.S. Government officials will "call for the need to change policies to avoid Japan or see Asia as an area where several economic centers exist." Japan will fall into a trap in the future if it simply thinks, without realizing the under current of the recent changes, that the United States has softened its stance.

Farmers Urge Court To Block Entry of U.S. Apples

*OW2610092194 Tokyo KYODO in English 0908 GMT
26 Oct 94*

[FBIS Transcribed Text] Tokyo, Oct. 26 KYODO—Five farmers filed a suit against the Farm Ministry in the Tokyo district court on Wednesday [26 October] demanding it to quash the ministry's lifting in August of a ban on apple imports from the United States.

The five are apple farmers from Nagano and Aomori Prefectures, and pear farmers from Ibaraki and Tottori Prefectures.

They claim that U.S. apple imports could result in damage to their own crops because technology to totally eradicate insects harmful to apples and other fruit has not yet been developed.

The farmers are claiming the Agriculture, Forestry and Fisheries Ministry has not taken account of the differences in resistance to disease-causing insects among the different types of U.S. apples.

The farmers also claim that a public hearing the ministry convened in July, as part of the procedures required under plant quarantine laws before the ban could be lifted, was a mere formality in which participants only listened to opinions opposed to the lifting of the ban.

They said the lifting of the import ban was done as part of a "political" policy of "sacrificing" their products to resolve problems caused by the overseas advances of Japan's manufacturing sector.

Japan in principle liberalized apple imports in 1971 but quarantine regulations prevented any imports.

The United States began improving methods of treating apples for export in 1986.

Apple imports from New Zealand began in April.

The ministry said the U.S. apples are currently being treated at low temperatures and will not reach the domestic market until December at the earliest.

The Farm Ministry is satisfied that the technology exists for complete elimination of harmful insects, a ministry official said.

Mieno Urges U.S. To Stabilize Money Market

*OW2610091294 Tokyo KYODO in English 0842 GMT
26 Oct 94*

[FBIS Transcribed Text] Tokyo, Oct. 26 KYODO—Bank of Japan Governor Yasushi Mieno called on the United States on Wednesday to take measures to stabilize the foreign exchange market, officials said.

In a meeting with leaders of the powerful Federation of Economic Organizations (Keidanren), Mieno said the foreign exchange market is characterized by the dollar's weakness rather than the yen's strength and there is room for Washington to correct it, the Keidanren officials said.

Mieno, however, added that Japan's huge foreign trade surplus is also a major factor behind the yen's strength, the officials said. "It is a misunderstanding to think that the United States favors a weak dollar," the central banker was quoted as saying. He said the German mark has strengthened against the dollar, causing the yen to rise, according to the officials.

The central bank leader made the remarks in response to Hiroshi Saito, chairman of Nippon Steel Corp., who expressed concern over the impact of the yen's strength on the domestic economy, the officials said. Saito also criticized the government for failing to take effective steps to stem the yen's rise, they said.

Mieno stressed the need for Japan to push ahead with the opening of its market through deregulation. He also called for measures to correct the imbalance between investments and savings which is responsible for Japan's snowballing trade surplus, the officials said.

'Source' Says BOJ Ready To Support Dollar

*OW2510141094 Tokyo KYODO in English 1355 GMT
25 Oct 94*

[FBIS Transcribed Text] Tokyo, Oct. 25 KYODO—As the dollar sank to yet another postwar low against the yen in New York, a Bank of Japan (BOJ) source said the central bank stands ready to intervene.

But market sources said more dollar falls are possible if the BOJ, which apparently bought dollars to prop up the U.S. currency during Tokyo trading, does not get help from its U.S. and European counterparts.

The dollar sank briefly to 96.40 yen in early New York trading Tuesday [25 October] after opening at 96.55-65 yen, breaking Friday's record of 96.55 yen, set in Tokyo.

"There is no monetary authority that enjoys speculative movements," the BOJ source said, hinting that the BOJ expects concerted action. "We will respond at the best time."

The BOJ source said there were no fresh incentives to dump the dollar, blaming the currency's weakness on speculators, saying it is unlikely that the dollar will easily fall further.

A Tokyo market source attributed the New York fall to a U.S. wire service report quoting European monetary sources as saying Europe's central banks "aren't planning to intervene or take other measures" to prop up the dollar, as such action would be useless unless the Federal Reserve raises U.S. interest rates further.

Ex-Im Bank To Extend Loans to U.S. Exporter

OW2510052994 Tokyo KYODO in English 0253 GMT 25 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 25 KYODO—The Export-Import Bank of Japan said Tuesday [25 October] it will extend up to 14 million dollars in direct loans to General Electric Co. of the United States for its exports to Japan.

The funds will be used to boost exports to Japan of high value-added lamps such as halogen lamps, the bank said.

It will be the fourth such loans offered to a foreign company, the bank said.

Washington, Tokyo To Set Up Meeting on TMD

OW2610112094 Tokyo KYODO in English 1105 GMT 26 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 26 KYODO—Japanese and U.S. officials agreed Wednesday [26 October] to set up a group of experts to further study the so-called "theater missile defense" (TMD) project, a new defense project against ballistic missiles.

The two sides reached the agreement during a two-day meeting on the project between the Defense Agency and the Foreign Ministry, and the U.S. Defense Department, ministry officials said.

The experts will first evaluate the threat from ballistic missiles to Japan, and collect and analyze various information to judge whether Japan should introduce the system or not, they said.

The details of the group have yet to be worked out, the officials said, but added that the group is likely to hold its first meeting by the end of the year.

The United States has been calling on Japan to participate in the development of the TMD system, unveiled last year by the administration of President Bill Clinton.

The advanced version of the Patriot missile used in the 1991 Gulf War would destroy incoming ballistic missiles while they are flying through or above the atmosphere.

It is designed to replace the Strategic Defense Initiative (SDI) pushed by the administration of former U.S. President Ronald Reagan.

During the meeting, the U.S. side explained progress on the project and its view on the importance of the system, the officials said.

The Japanese side told the U.S. that joint study of the system would provide the information necessary for Japan to make a decision on participation, they said.

3M Agrees on Magneto-Optical Disk Standards

OW2510064694 Tokyo KYODO in English 0552 GMT 25 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 25 KYODO—Hitachi Ltd., Sony Corp. and Minnesota Mining and Manufacturing Co. (3M) of the United States said Tuesday [25 October] they have agreed on specifications for a new, high-density 3.5-inch magneto-optical disk.

The read-only memory disk will be single-sided, rewritable and enclosed in a cartridge, offering a data storage capacity of 650 megabytes.

The capacity is roughly the same as that of a CD-ROM [compact disk read only memory] and more than three times that of conventional magneto-optical disks, they said.

The companies said they plan to launch the disk and disk drives in the middle of next year.

The new specifications are not compatible with current ones under the international standardization organization.

Magneto-optical disks are now used for back-up of hard disk drives and for applications involving transfer of large amounts of data such as desktop publishing, graphic imaging and document storage because of their large capacity.

But their data storage capacity falls short of a level needed for moving images.

Editorial on U.S.-DPRK Accord, Regional Peace

OW2510054694 Tokyo YOMIURI SHIMBUN in Japanese 22 Oct 94 Morning Edition p 3

[Editorial: "What Will Become of the Korean Peninsula After the U.S.-DPRK Agreement?"]

[FBIS Translated Text] With the signing of a nuclear agreement between the United States and the DPRK, the situation on the Korean peninsula has entered a new era. As long as the agreement is put into practice fully, international relations can be conducted under the assumption that the DPRK's suspected nuclear weapons development will end.

The signing itself will not resolve the nuclear problem. It does, however, signify that the route to a solution and the normalization of U.S.-DPRK ties has been laid out. The agreement and its supplementary "secret memorandum" can be likened to a railway schedule giving a progression of destinations.

The itinerary spans nearly 10 years, but all countries concerned must earnestly pursue the final destination of full implementation, through all inevitable twists and turns. The DPRK's compliance must be Verified.

The DPRK should have resolved the crisis over its suspected nuclear arms development through its own actions. We cannot help but view the accord with some skepticism. Nevertheless, we consider it indispensable for peacefully solving the nuclear problem.

Problems regarding the DPRK can be divided into three broad categories: external aspects, including the nuclear issue; the DPRK's relations with the ROK; and the DPRK's future itself. All are shrouded by uncertainty.

Thus, we can say that the new light cast on the nuclear problem is of historic significance. The scenario of the international community levying sanctions against the DPRK, defying the wishes of China and other countries, now seems avoidable, as does the danger of nuclear proliferation in East Asia.

The agreement also points ultimately the way of normal diplomatic ties between the United States and the DPRK. And now that the heavy weight of the nuclear problem has been lifted, Japan can also expect to resume talks with the DPRK over diplomatic ties. Japan, however, must refrain from taking a hasty approach and instead remain faithful to its principles at any future talks.

The time now favors the idea of cross-recognition of countries involved with the Korean peninsula. We have high hopes that all Northeast Asian states can normalize ties. Depending on future developments, the region's diplomatic agenda could soon include discussion on converting the Korean armistice into a full peace settlement.

The agreement further undermines Cold War vestiges apparent on the peninsula. Now that the Soviet Union has ceased to exist, the peninsula is already no longer an arena of superpower confrontation.

The agreement calls for the North and South to resume dialogue and implement their joint declaration on making the peninsula free of nuclear arms. Obviously,

constructive developments in North-South relations are indispensable for the peninsula's stabilization.

Both sides must redouble their efforts to work toward coexistence of the North and South, aimed ultimately at peaceful reunification. The ROK is already committed to this approach. Whether or not the DPRK settles down to serious dialogue is a key question.

The biggest question is over what course the Kim Chong-il regime intends to take. In that sense, we have to say that the DPRK is the most destabilizing factor in Northeast Asia.

The DPRK, plagued by economic crisis and prodded by China, is inevitably probing for ways to slightly open up its economy. While the emerging prospects for solving the nuclear problem certainly help, resuscitating the economy will be extremely difficult. Market forces must be allowed to rise above the rigid, despotic system forged by the late Kim Il-song and his son. The current system classifies people according to what stock they come from, and subjects groups to political and social discrimination.

The possibility always exists that the DPRK could plunge into self-destruction, sparked by the North-South unification issue. Obvious chaos would ensue, but the nuclear problem would be resolved.

Japan must proceed with its policy toward the DPRK by considering all possible circumstances with the aim of building stability in Northeast Asia. It should bear in mind the importance of enhancing cooperation not only with the United States and the ROK, but also with China as much as possible.

Tokyo To Invite Asians, Europeans To Join KEDO

OW2610111394 Tokyo SANKEI SHIMBUN in Japanese 24 Oct 94 Morning Edition p 1

[FBIS Translated Text] On 23 October, the government decided to call for the participation of Asian and European countries in the Korea Energy Development Organization (KEDO—tentative name), a multinational consortium to assist the DPRK's (North Korea's) introduction of light-water reactors [LWR's]. In addition to the existing Japan-ROK-U.S. framework, Japan will invite such Asian-Pacific countries as China and ASEAN members, as well as UN Security Council (UNSC) members in Europe.

Prime Minister Tomiichi Murayama has already announced the government's decision to make an "appropriate contribution" to KEDO. The government intends to play a leading role in the multinational consortium since "nuclear arms in North Korea are the biggest concern for Japan's security" (as noted by a Foreign Ministry source). The government decided to call for various countries' participation in KEDO because: 1) KEDO should grant crude oil to North Korea

until new LWR's start operation, but the oil aid is expected to reach a great amount; and 2) participation by a large number of countries would create international pressure on North Korea to fulfill the agreement.

The government especially views China's participation as indispensable. A government source noted that, since the international community is still doubtful that North Korea will fully carry out the agreement, "We have great expectations for China's influence on North Korea." Another Foreign Ministry source said the government had decided to call for participation by Asia-Pacific nations because "they are also 'beneficiaries' of the suspension of North Korea's nuclear arms development."

Additional UNSC permanent members in addition to the United States and China are invited because the issue concerns the global controversy of nuclear nonproliferation. Also, their participation would make UNSC procedures smoother if North Korea breaks the agreement.

On 21 October, U.S. Ambassador in charge of North Korean issues Robert Gallucci disclosed that, in addition to Japan, the ROK, and the United States, nine to 10 countries, including China and some European countries, showed their desire to join KEDO.

Asked about Japan's share of KEDO funds, the Foreign Ministry source said: "In a rough estimate, we presently expect our share to reach \$3-4 billion. However, these are not final figures."

MHW To Hear Complaints About Imported Food

OW2510131494 Tokyo KYODO in English 1251 GMT 25 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 25 KYODO—The Ministry of Health and Welfare [MHW] has decided to set up a nationwide mechanism for accepting complaints from consumers on imported foodstuffs and responding to inquiries about such imports, starting in fiscal 1995, ministry officials said Tuesday [25 October].

The centers, to be called "public relations centers for food sanitation and safety," will be established in each of Japan's 47 prefectures, the officials said.

The new mechanism is designed to respond to anxieties over food safety in the wake of the lifting of import curbs on foreign-manufactured food items as a result of the global trade liberalization deal under the Uruguay Round and an increasing variety of new brands of food to which biotechnology has been applied, they said.

The centers will also provide information and advice to consumers on these foodstuffs, as "the lack of information is partially responsible for the anxieties of consumers," a ministry official said.

The current plan calls for creating a national headquarters for the centers inside the "Shokuhin Eisei Kyokai"

(Food Sanitation Association), a quasi-governmental organization affiliated with the Health Ministry, they said.

The local branches of the association across Japan will also be commissioned to accept complaints from consumers, they said.

To this end, the ministry will provide special additional training to some 120 experts of the local branches, who have so far been supervising Japanese manufacturers of foodstuffs to improve safety standards, they said.

The plan immediately drew praise from concerned civic groups.

Setsuko Yasuda, an official of the Consumers Union of Japan in charge of food affairs, said the government "has gradually been softening regulations on imports" in recent years.

Yasuda urged the government to be more stringent in securing the safety of imported food, while urging it to provide greater transparency to enable consumers to check the contents of discussions at the ministry's Food Sanitation Investigation Council.

LDP Reverses Farm Policy, Supports GATT Accord

OW2610100694 Tokyo NIHON KEIZAI SHIMBUN in Japanese 25 Oct 94 Evening Edition p 2

[FBIS Translated Text] In a reversal of its policy opposing the agreement reached last December at the Uruguay Round of trade talks under the GATT, the Liberal Democratic Party [LDP] on the morning of 25 October released a statement supporting the accord which is to be implemented under the World Trade Organization (WTO). The statement said the party has changed its policy because "the party has returned to power and the Murayama cabinet's policy is to maintain 'continuity of diplomacy, and carry out domestic reform'." The statement also said the party "will minimize damages to farming" by taking domestic measures which will cost 6.01 trillion yen over a six-year period starting from the next fiscal year. Noting "it is undeniable that there are many doubtful and moot points in the WTO accord on agriculture," the LDP's statement called on the government to take a cautious attitude, saying: "It is requested that until major countries take official measures, the government withhold adopting procedures for implementing the accord even after it is approved by the Diet."

Tokyo To Lobby ASEAN for UNSC Permanent Seat

OW2610111694 Tokyo ASAHI SHIMBUN in Japanese 25 Oct 94 Morning Edition p 1

[FBIS Translated Text] In connection with the issue of Japan's bid for permanent membership in the UN Security Council [UNSC], Hisashi Owada, Japanese ambassador to the United Nations, recently sent Yohei Kono,

deputy prime minister and foreign minister, an official telegram saying: "Virtually no nation in the Asian and Pacific region has expressed support for Japan's bid for permanent membership in the UNSC in their speeches to the UN General Assembly [UNGA]." Pointing out in the official telegram that "ASEAN members have not supported Japan's bid for permanent UNSC membership," Ambassador Owada said: "This development is undesirable for Japan" and urged the foreign minister to lobby the ASEAN members to support Japan's bid for a permanent UNSC seat. The Foreign Ministry responded to Ambassador Owada's request by planning to vigorously lobby the ASEAN members at an Asia-Pacific Economic Cooperation forum meeting scheduled to be held in Indonesia in November.

In the official telegram sent 14 October to the foreign minister, Ambassador Owada said: Only 17 nations out of the more than 170 that have addressed the UNGA have backed Japan's bid for the permanent UNSC seat and most of the 17 have been European nations. Virtually no nation in the Asian and Pacific region, with the exception of Australia and Fiji, have backed Japan's UNSC bid.

Indicating that "such ASEAN members as Malaysia, Thailand, the Philippines, and Indonesia have so far clearly supported Japan's bid to join the UNSC as a permanent member," Ambassador Owada said they have not mentioned their support for the bid in their UNGA speeches, which is "noteworthy," and expressed his disappointment in the failure of Prime Minister Tomiichi Murayama's August tour of Southeast Asian nations to get their backing.

In the official telegram, Ambassador Owada said: "For Japan to be admitted to the UNSC as a permanent member, it needs to win support from other nations in international forums" and "asked the foreign minister to lobby the ASEAN members."

The Foreign Ministry has said Japan has already won support from 55 nations for its UNSC bid at bilateral talks.

With regard to the question of dealing with the ASEAN members, a senior Foreign Ministry official said: "The ASEAN members have a tendency to give priority to their positions as nonaligned nations. However, the Foreign Ministry took a serious view of the fact that 'the ASEAN members have not mentioned a word of their backing for Japan's UNSC bid.'" The Foreign Ministry plans to ask Prime Minister Murayama and Foreign Minister Kono to lobby each ASEAN member for support at an APEC informal summit and ministerial meeting.

'Not Entirely Satisfactory' APEC Meeting Reviewed

OW2610111894 Tokyo NIHON KEIZAI SHIMBUN in Japanese 25 Oct 94 Morning Edition p 2

[Editorial: "The APEC Meeting Was Not Entirely Satisfactory"]

[FBIS Translated Text] The first meeting of the Asian Pacific Economic Cooperation (APEC) ministers in charge of small and medium businesses held in Tokyo adopted a joint statement that includes an agreement on establishing a conference of policy-formulating officials. The ministers' meeting was unable to make any significant achievements, but we would like to admit it was good that ministers in charge of small and medium businesses could get together to air their views on major topics of common interest, and to discuss issues they have.

This meeting of the ministers in charge of small and medium businesses is a program for policy issue discussions that Japan proposed at the informal APEC summit in Seattle in November last year. We may say that it is somewhat unique of APEC that small and medium business issues can be taken up in such international discussions. As the government-level meeting was being held, a private-sector forum was also held, which was supposed to enable views from the private-level discussions to be reflected in the government-level talks; how much of the private-level views were reflected needs to be studied further.

It is not simple or easy to discuss small and medium business issues in such an international arena as the APEC. "Small and medium business" concepts differ between participating nations and areas, each of which is now at a different stage of economic development and thus has different perceptions of these issues.

This meeting limited its subjects of discussion to those relating to personnel training, information flow, technology, and fund procurement—the areas in which small and medium businesses are most handicapped. Even though the discussion areas were thus limited, the proposals from member countries tended to be diverse. In fact, the proposals were so diverse that the countries were unable to agree on a common way to deal with them.

Despite all this, Japan did announce its plan for cooperating in the personnel training area, agreeing, for instance, to accept training of would-be leaders of small and medium businesses. We can give some credit for that, but we must admit we feel the plan was something hatched just to be used for this event. On the question of fund procurement, Japan explained the credit guaranty system of Japanese local governments and its investment promotion companies, but the participants failed to hold in-depth discussions on them.

As such, the event ended up making people feel something was missing. There is a growing understanding among all participating nations on the important roles small and medium businesses play for economic growth in the countries. It can be said that if further active measures to promote small and medium businesses are taken and if these measures prove effective, there will be growing clashes and confrontations of interests within the region. If we want to overcome such conflicts and to

launch a cooperative system, the people concerned need to hold discussions more frankly.

With the APEC's ministerial talks set for Indonesia in November, there are differing views on the question of setting targets for liberalization of trade and investments; but regardless of how the discussion on that question ends, there is no doubt that the issue of how to deal with small and medium businesses in APEC member nations and areas will gain in importance. We hope the nations will further their dialogues with each other, which will include private sector participation.

Malaysia's Mahathir Interviewed on EAEC Concept

OW2510144294 Tokyo FNN Television Network in Japanese 2311 GMT 22 Oct 94

[FBIS Editorial Report] Tokyo FNN Television Network in Japanese at 2311 GMT on 22 October, in its "News 2001" program, carries a 15-minute interview with Malaysian Prime Minister Mahathir bin Mohamed by FNN newscaster Yuji Kuroiwa and political commentator Kenichi Omae. It was recorded in Kuala Lumpur on 18 October. Following the interview, News 2001 carries a 15-minute live discussion moderated by Kuroiwa and Megumi Sekito. Those taking part are Deputy Chief Cabinet Secretary Hiroyuki Sonoda; Ministry of Finance official Eisuke Sakakibara; former Deputy Prime Minister Michio Watanabe, who joins the discussion via hookup from an unidentified place; and political commentator Kenichi Takemura.

At 2311 GMT, Kuroiwa starts the interview by asking Mahathir about the aim of his planned East Asia Economic Caucus (EAEC).

Mahathir says: "As we have repeatedly explained, EAEC is neither a trade bloc nor an economic tariff union. It is a forum in which Southeast Asian nations discuss various problems."

He points out two benefits of establishing the EAEC. The first is that East Asian nations would be able to attract the attention of the international community—which takes the most notice of problems of North American and European nations—to their trade issues. The second is that member nations can help each other in promoting economic growth.

He adds: "If East Asian nations join the EAEC, Japan can develop a new market through giving them advice and establishing joint ventures with them."

He expresses disappointment with Japan's negative attitude to the EAEC concept, urges Japan to join and to explain clearly to the United States about its aims.

Asked why he refused to attend the last Asia-Pacific Economic Cooperation forum held in Seattle, Mahathir says: "I wanted to demonstrate to other APEC nations

that we, Malaysia, also have a right to refuse. In other words, Asian nations stand on an equal footing with other member nations."

He is then asked to comment on Japan's current political situation. He says that peoples' support for the leaders they have chosen is essential to stabilize the political situation and to eliminate excessive bureaucratic involvement in policymaking. The interview ends at 2326 GMT.

The live studio discussion on the Mahathir interview starts at 2327 GMT.

Sonoda is asked why Japan remains cautious about joining the EAEC.

He says: "There are several reasons. The main reason is, as Mahathir said, the relationship with the United States is the axis of Japan's foreign policy. We doubt the need to establish an organization among Asian countries without the participation of Canada and the United States."

The discussion moves on to Mahathir's request that Japan become an intermediary between the United States and the EAEC.

Sonoda says: "If it is the consensus of all nations concerned, Japan is willing to do so."

Sakakibara says: "I think Japan has undergone experiences which are very different from other Asian countries. For example, Japan has been largely influenced by the United States in its social reconstruction since the end of World War II. Other Asian nations, however, have been trying to build their own social systems based on their own culture and history. In view of this, Japan needs to review its past relations with other Asian countries to establish new cooperative ties with them."

The discussion ends at 2342 GMT.

Tokyo Noncommittal on EAEC

OW2610085094 Tokyo KYODO in English 0808 GMT 26 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 26 KYODO—Japan is still considering whether to join a proposed East Asia Economic Caucus (EAEC), the top government spokesman said Wednesday [26 October].

"We are continuously considering the question of the EAEC," Chief Cabinet Secretary Kozo Igarashi said at a news conference. "It is necessary to gain understanding from the Asian and Pacific countries concerned to go ahead with the proposal," he said.

On Tuesday, Malaysian Prime Minister Mahathir Mohamad said that EAEC could be established without Japan's participation.

Igarashi declined further comment, merely repeating Japan's previous position on the matter.

The EAEC plan, originally floated by Mahathir in 1990, intends to include the six member states of the Association of Southeast Asian Nations (ASEAN), along with China, Hong Kong, Japan and South Korea.

The United States is adamantly opposed to the plan, arguing that the EAEC could become an economic bloc excluding the U.S.

Tokyo has taken a noncommittal stance on the EAEC proposal in consideration of the U.S. position.

Murayama Defends Hashimoto's Remarks on War

OW2510145694 Tokyo KYODO in English 1444 GMT 25 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 25 KYODO—Prime Minister Tomiichi Murayama on Tuesday [25 October] defended Trade Minister Ryutaro Hashimoto's remarks before the Diet about Japan's wartime actions, saying his testimony was based on the acknowledgment that Japan waged a war of aggression.

Murayama told reporters that he does not see any trouble with International Trade and Industry Minister Hashimoto's testimony, which he said was made on the premise that Japan invaded China and the Korean Peninsula and temporarily ruled parts of them before and during World War II.

The premier said he will check the minutes of Hashimoto's Diet testimony.

Chief Cabinet Secretary Kozo Igarashi earlier said Hashimoto did not stray from the government's view on the nation's past in explaining Japan's wartime actions.

He said Tokyo will explain Hashimoto's remarks in detail and seek understanding from South Korea.

In Seoul, a Foreign Ministry spokesman expressed regret over Hashimoto's remarks, saying they contradict historical facts.

Hashimoto seemed to express skepticism that Japan's actions had constituted a war of aggression against its neighbors.

Spokesman: Remarks 'Misreported'

OW2610041794 Tokyo KYODO in English 0355 GMT 26 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 26 KYODO—Trade Minister Ryutaro Hashimoto's remarks taken by Asian neighbors as a denial of Japan's aggression in World War II were misreported, the chief government spokesman said Wednesday [16 October].

"If they read the whole of the minutes of the Diet session and make careful judgment, they will understand the contents are not as reported," Chief Cabinet Secretary Kozo Igarashi said at a news conference.

He was referring to International Trade and Industry Minister Hashimoto's remarks Monday in a Diet session on whether Japan's military actions in World War II constituted aggression in Asian countries.

Following a protest from the South Korean Foreign Ministry over the remarks, the Japanese Foreign Ministry explained Hashimoto's comments in the Diet session to the South Korean Embassy in Tokyo, Igarashi said.

Hashimoto, a senior member of the Liberal Democratic Party, the largest contingent in the tripartite coalition government, is seen as a prospective future prime minister.

The top government spokesman also said Tokyo has so far received no official reaction from other Asian neighbors over the minister's remarks.

China's XINHUA NEWS AGENCY reported from Tokyo on Tuesday that Prime Minister Tomiichi Murayama has defended Hashimoto, saying there was no problem about the war remarks.

Remarks about Japan's wartime actions led to the resignation of two cabinet ministers this year.

SDPJ's Kubo Comments

OW2610140394 Tokyo KYODO in English 1228 GMT 26 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 26 KYODO—Social Democratic Party General Secretary Wataru Kubo on Wednesday [26 October] implicitly criticized International Trade and Industry Minister Ryutaro Hashimoto's remarks casting doubt over Japan's role in World War II as an aggressor.

Hashimoto said in a parliamentary session Monday that Japan tried to fight the United States and Britain, not Asian countries, and that it is a matter of definition as to whether Japan had waged wars of invasion against Asian countries in the past.

But Kubo, whose party is part of the governing coalition with Hashimoto's Liberal Democratic Party, told a press conference in the Diet building that it is "difficult to separate the Pacific War which began on Dec. 8, 1941, from other conflicts before that time."

"If you put it to me that there might not have been an element in Japan's wartime behavior which could be termed aggression, I couldn't say so definitely," Kubo said.

But Kubo was evasive when asked by reporters if he thought Hashimoto should be made to take responsibility for his remarks in some way.

"It is difficult to deliver a quick appraisal on that point," he said.

Further Delay Likely in Russian Joint Oil Project

*OW2610084994 Tokyo KYODO in English 0814 GMT
26 Oct 94*

[FBIS Transcribed Text] Tokyo, Oct. 26 KYODO—A further delay is likely in the signing of a production sharing contract by Japan, the United States and Russia in their joint program to exploit oil and natural gas resources off Sakhalin, business sources said Wednesday [26 October].

They said the signing will be delayed for the third time, until February or March 1995, because tripartite negotiations to fix details of the "Sakhalin-1" project have been slow.

The contract is to fix shares of oil and natural gas production for the participating countries.

The sources said there have been difficulties in negotiations over the shares of the Russian Federal Government and the local Sakhalin Government.

In addition, legislation on foreign investments and exploitation of natural resources is pending before the Russian Federal Assembly and prospects for action are uncertain, the sources said.

The government-backed Japan National Oil Corp., trading house Itochu Corp. and oil distributor Cosmo Oil Co. are among the 18 Japanese companies taking part in the project.

Japan has so far spent 60 billion yen on test drilling operations in the project.

Exxon Corp. is the U.S. participant in the project, which is scheduled to start production in 2003 and estimated to cost more than 1 trillion yen.

Kajima Not To Pay Chinese Victims of 1945 Case

*OW2510065894 Tokyo KYODO in English 0530 GMT
25 Oct 94*

[FBIS Transcribed Text] Tokyo, Oct. 25 KYODO—Major contractor Kajima Corp. will not pay compensation to surviving victims and relatives of wartime Chinese conscripts who died in a 1945 crackdown following a rebellion at the company-run Hanaoka Mine in northern Japan, company officials said Tuesday [25 October].

Instead, Kajima will provide 50 million yen for memorial measures such as building a cenotaph, and will offer the victims fresh apologies, the officials said.

A group of Chinese victims is visiting Japan for negotiations with the contractor. The group requested 5 million yen compensation per victim and the provision of memorial museums, both in China and Japan, to ensure the incident is remembered.

Kajima will notify the group of the decision when the two hold a meeting later in the day.

The Hanaoka incident occurred in June 1945 in the closing days of World War II at a mine run by Kajimagumi, Kajima Corp.'s predecessor, in Odate (then Hanaoka) in Akita Prefecture. There were 986 conscripted Chinese who were forced to work for a Kajima branch office at the mine.

Because of cruel working conditions and torture, the Chinese rebelled by killing guards and fleeing, but all of the fugitives were recaptured and brutally quelled.

Of the 986 Chinese, 418 reportedly died including 113 who were tortured to death during the uprising.

Past negotiations between Kajima and the victims prompted the company to admit responsibility for the incident, and Kajima offered its first official apology in July 1990.

Honda To Produce Motorcycle Engine in PRC

*OW2610111594 Tokyo NHON KEIZAI SHIMBUN in
Japanese 26 Oct 94 Morning Edition p 1*

[FBIS Translated Text] Honda Motor Company, Ltd. has decided to move the production of all its motorcycle engines to China from the autumn of 1995. In line with this, around 10 of Honda's major parts suppliers, including Showa Corporation and Stanley Electric Company, Ltd., will open shop in Guangzhou to engage in joint venture production of auto parts with Chinese companies.

At present, Honda also plans to launch joint production of automobiles with the Dongfeng Automobile Industrial Company (of Hubei Province). The suppliers' move is also in preparation to meet future requirements for four-wheel vehicle parts procurement.

Toyota Motor Corporation is likewise considering moving into China with its affiliated companies. In view of the yen's rapid appreciation, and the attractiveness of the huge Chinese market, representative Japanese manufacturers and their affiliates are starting to move their production bases to China.

Local production of motorcycle engines will start at joint venture plants funded by Honda in Guangzhou, Tianjin, and Chongqing successively from the autumn of 1995. Aside from engines for 125-cc motorbikes presently being produced in China, engines for scooters to be produced from 1995 will also be manufactured in China. Honda alone will provide more than 10 billion yen in capital, and the total volume of investment, including Honda-affiliated parts makers, will come to tens of billion yen.

Currently, in addition to engines used by Honda's Chinese partners, Honda has to supply engines for 100,000 motorcycles. The local production of motorbike engines is expected to reach 200,000 units a year for each plant in 1996, a total of 600,000 units for the three plants.

With this plan for local production of engines, five major Honda Group parts manufacturers, Shindengen Electric Manufacturing Company, Ltd.; Showa; Stanley; FCC; and Mitsuba Electric Manufacturing Company, Ltd., have also decided to operate in China. Shindengen has already set up the Guanzhou Shindianyuan Electric Company, Ltd. with Huayan Commercial and Industrial Company, which started production of motorcycle spark plugs and battery chargers this month.

Showa will provide half of the required capital of around 1 billion yen to set up a joint venture with Guangzhou Motorcycle Company to produce shock absorbers. The contract will be formally signed on 26 October.

Stanley has signed a contract with the Guangzhou Junyang Car Light Company, Ltd. to provide technology for the production of car lights, with a view to eventually forming a joint venture. In addition, five engine parts makers, including Keihin Seiki Manufacturing Company, Ltd., are also expected to start operations in 1995.

Honda is negotiating a contract for a parts joint venture with Dongfeng Automobile, with a view to actually producing automobiles from 1996. Honda-affiliated parts makers also plan to be involved in automobile parts.

Taipei May Ease Curbs on Japanese Autos

OW2510045394 Tokyo KYODO in English 0426 GMT 25 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 25 KYODO—Taiwan's Economic Affairs Minister Chiang Ping-kun told a top Japanese business leader Tuesday [25 October] Taipei will ease its restrictions on automobile imports from Japan if it is allowed to join the general agreement on tariffs and trade (GATT).

Chiang made the comment in a meeting with Shoichiro Toyoda, chairman of the Federation of Economic Organizations (Keidanren), Keidanren officials said.

Taiwan currently imposes quantitative restrictions on auto imports from Japan.

Chiang told Toyoda that upon joining the GATT, Taiwan will adopt a 30 percent tariff on a certain number of auto imports from Japan and will reduce the rate to 25 percent in five years, according to the officials.

Imports over the specified volume will be subject to a 60 percent tariff, Chiang reportedly said.

Ex-Im Bank To Help Philippines Promote Investment

OW2610085194 Tokyo KYODO in English 0824 GMT 26 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 26 KYODO—The Export-Import Bank of Japan said Wednesday [26 October] it has signed an agreement with a Philippine

governmental body on bilateral cooperation in public relations activities to enhance Japanese investment in the Philippines.

Under the agreement, the Philippine board of investments will provide Japanese companies considering investment in the Philippines, or joint ventures between the two nations, with information regarding the Japanese bank's overseas investment loan facilities.

At the same time the bank will provide Japanese companies with information on the Philippine investment climate.

The bank has been involved in financial cooperation with the Philippines, including various untied loans, and this agreement will further contribute to the expansion of economic cooperation between the two nations, the bank said.

Lower House Committee Passes Pension Reform Bill

OW2610083694 Tokyo KYODO in English 0722 GMT 26 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 26 KYODO—The Lower House Health and Welfare Committee passed Wednesday [26 October] a pension reform bill that is designed to gradually raise the starting age for pension recipients because of the rapid graying of society.

If the bill is enacted, the starting age will go up gradually to 65 from present 60.

The lower house is expected to approve the bill at a plenary session Thursday, and will send it to the House of Councillors for further discussion.

One in four people in Japan will be 65 or older by early next century.

*** Murayama Cabinet's Performance Reviewed**

952B0010A Tokyo ASAHI SHIMBUN in Japanese 3 Oct 94 p 4

[Article by political reporter Shinichi Yoshida: "Flimsy Murayama Regime"]

[FBIS Translated Text] "Policy is decided without being able to take time, still not knowing who has decided. Moreover, conclusions are not much different from the intentions of the prime minister. Viewed from the outside, it probably is amazing. There also are people who say there is no leadership by the prime minister. However, this is a kind of Murayama characteristic that has not been in the government regime up until now." When Deputy Chief Cabinet Secretary Hiroyuki Sonoda of the Prime Minister's Office said this on the evening of 22 September when Prime Minister Tomiichi Murayama decided on the tax system reform bill, the prime minister laughed, "Is that so?" The somewhat flimsy Murayama

coalition regime has weathered three months for the present riding the "realism" of the prime minister and three-party coalition.

Three Months Weathered

On the eve of this extraordinary session of the Diet, the dispatch of Self-Defense Forces on humanitarian assistance, the question of permanent membership on the UN Security Council, and tax system reform have been decided in rapid succession. All of them were points on which opposition was expected in the Diet with the opposition parties of the former coalition centering on Ichiro Ozawa. The opposition axis faded at once and some from the former coalition even said, "It is a troublesome cabinet that immediately adopts these points formally" (former Prime Minister Tsutomu Hata).

Initially the stability of the Liberal Democratic Party [LDP]-Social Democratic Party of Japan [SDPJ]-Sakigake coalition regime, criticized as "water and oil" or an "illicit union," was viewed as doubtful. In his keynote address to the Diet on 30 September, the prime minister boasted that "we have surmounted the circumstances of the past" and "succeeded" in three-party cooperation on determination of the tax system reform bill. U.S.-Japan economic problems where the unknown quantity of risk management capability seemed to be questioned also have gone smoothly for the time being.

Points of Dispute Avoided by "Realism"

It can be said that a key is the prime minister's disposition, which is "Honest and unselfish. Unprejudiced realism" (Masaharu Gotoda, LDP).

Reconciliation Type Policy Method

He listens earnestly to explanations by the cabinet, party officers, and bureaucrats. He conveys his feelings such as "That's good," or "I wonder," and simply retreats if he knows that it is impossible. Afterward, he waits for reconciliation by the government and ruling parties—the policy methods of the prime minister reveal the form of a conciliator who uses "an outstanding sense of balance" (Finance Minister Masayoshi Takemura) at the same time as they relate the best response that can be made by Murayama who suddenly has become prime minister.

When he ventured into the constitutionality of the Self-Defense Forces and acceptance of the "Rising Sun" flag, the prime minister showed "resolute" realism. On the issue of dispatching Self-Defense Forces to Zaire, there was a glimpse of his resolution that "the job of the Prime Minister's Official Residence is continuance of policy."

However, have they really overcome "the consequences of the past" by "realism" as per the words of the prime minister?

Voices of Apprehension on Bureaucratic Leadership

According to associates, he questioned Education Minister Kaoru Yosano on his relationship with the Japan Teachers Union around the middle of September. The Japan Teachers Union requested a meeting between the chairman and the education minister, but the Ministry of Education, which was opposed to it, was traditionally negative.

When the education minister replied, "It was also the thinking of the officials in charge," the prime minister made a flattering gesture, saying "I suppose so. This will have to be done by the officials also," and he added, "The Japan Teachers Union also is changing."

Last year, at the direction of then Prime Minister Morihiro Hosokawa, a meeting between the Japan Teachers Union and the education minister was realized for the first time in six years. Under Murayama's realism, fears of ultimately ending up with bureaucratic leadership are strongly rooted within his own SDPJ and there also are party officers who have said frankly that "it will be difficult unless we are more firm."

Maintaining Regime a Categorical Imperative

The three-party coalition has maintained realistic self-control considering maintenance of the regime as a categorical imperative. The special feature of the three-party cooperation by the prime minister and others is considered to lie in "bottom-up democratic policy decisions" where discussion accumulates from the bottom in coordinating conferences, and emphasis is on political leadership, saying "the intentions of the bureaucrats are also being partially modified" (Sonoda).

The three parties have criticized the methods of the former coalition ruling parties, symbolized by the national welfare tax concept in February this year, as "top-down." The prime minister and others are publicizing "debates held" among themselves because they want to give the impression of differences. Bringing out the "successes" in the three months or so since their inauguration is probably aimed at comparison with the former coalition which had continued in confusion.

Reform Without Vision

The responses of the three parties that have seemed overly conscious of the former coalition are generating opacity. For example, there is tax system reform. The lump sum for the low income class also had the aspect of "reckless spending." SDPJ Chairman Murayama, who had opposed the national welfare tax concept, saying that "it is no good to increase the tax rate without a vision of welfare in the future," this time decided on a consumption tax rate without that blueprint. It is a method where he would be criticized for "situation-response politics" if it were the closing years of LDP one-party rule.

Even Ikuro Takagi, Japan Women's University professor who is close to the SDPJ, does not hide his discouragement, saying "It is a decision with no awareness of being the age when Japan is aiming at a mature form of society and has come to a crossroads in changing the political-economic system. Discussion between ruling parties is no more than democracy between political parties and the decision process by LDP and SDPJ officers is not understood by the people."

The prime minister and Finance Minister Takemura explain that "It is a two-step process" to depict visions such as welfare or administrative reform in the next two and a half years before the actual increase in the consumption tax.

However, especially for both the LDP and SDPJ, welfare reform, where the high burden must be appealed to the people, and administrative reform, which has become a battle with vested interests and the bureaucratic system, are harrowing work. The Murayama regime's undertaking of such problems actually is "postponed politics" that will occur the future.

Takemura has often articulately criticized that "While the Hosokawa regime talked of 'reform, reform,' no great vision was depicted." Those words will probably fall upon the Murayama "reform" regime itself sometime.

Ozawa Praises Kubo's Proposal for New Party

OW2510102694 Tokyo NIHON KEIZAI SHIMBUN in Japanese 25 Oct 94 Morning Edition p 2

[FBIS Translated Text] Shinseito [Japan Renewal Party] Secretary General Ichiro Ozawa held a news conference on 24 October and commented on a proposal by Wataru Kubo, secretary general of the Social Democratic Party of Japan, for a "New Democracy and Liberal Party." While maintaining that he "really is not very sure since the new party has not been formed yet," Ozawa said: "I feel there is not a big difference in what we both are striving for." He added: "It is necessary that there be at least two political parties which are capable of assuming power to compete with each other for maintaining a clean, parliamentary democracy. However, it is not necessary that there be only two." He thus indicated his willingness to approve the existence of a third political force.

Meanwhile, Chief Cabinet Secretary Kozo Igarashi, in reply to reporters' questions at his quarters in Tokyo on the evening of 24 October, indicated strong displeasure at Ozawa's comments, saying: "A gathering of social, democratic, and liberal forces is such a nuisance."

Ozawa on Political Reorganization, New Party

OW2510142694 Tokyo ASAHI SHIMBUN in Japanese 15 Oct 94 Morning Edition p 7

[Interview with Ichiro Ozawa, secretary general of Shinseito, by political editor Kotaro Akiyama on 14 October; place not given—first paragraph is ASAHI SHIMBUN introduction]

[FBIS Translated Text] On 14 October, Shinseito [Japan Renewal Party] Secretary General Ichiro Ozawa granted an interview to the ASAHI SHIMBUN. There are still differences between Mr. Ozawa and this paper over the ASAHI SHIMBUN coverage of Ozawa's pronouncement (of "no matter what woman you sleep with") earlier this year on page three of our morning edition of 26 April, in the "Jiji Kokukoku [From Moment to Moment]" column. On this occasion, as the result of discussions between Mr. Ozawa and this paper, with both parties accepting the inevitable relationship of tension between newspapers and politics as a given, we have reached a fundamental agreement that future coverage and reporting should be based on mutual understanding of the other party's position. The following interview was sought by this paper and granted by Mr. Ozawa predicated upon on this understanding.

On the Mass Media

[Akiyama] In your opinion, what is the relationship between politics and the press, i.e., what is your view of the mass media?

[Ozawa] I believe the role of the mass media is truly an essential one. Their influence over the citizens of Japan reaches far beyond that of any individual member of the Diet. Awareness of this power must be carried over into responsible reporting. You may present your own contentions as media of mass communications, but at the same time, you must provide the citizens of Japan, as much as possible, with fair and objective coverage. This may appear to be simply a matter of course, but it is something you must take seriously.

The media criticism of me, for example labeling me as a highhanded man or tyrannical, uses emotive words that are unclear in their meaning or context. What specifically is meant by the term "highhandedness" is never really made clear. They say I tend toward militaristic nation building, and tend to centralize authority, but these are simply emotional, evocative terms flying about that appear to inform, but are without content.

[Akiyama] The press must oversee the direction of the nation, and along with exploring all future political options, assumes the responsibility to scrutinize power. Mr. Ozawa, as a principal figure in Japanese politics, your words and actions will necessarily come under close scrutiny not only now, but in the future as well. It is impossible to separate discussions of policy from discussions of political methodology.

[Ozawa] Of course you have to keep a watch over power, this is a good thing. However, the idea that there is some certain power separate from the people, used by certain persons for their own ends, is wrong. Power is endowed by the people, the people constitute power, and it is exercised through the trust of the people. You have misunderstood it. The very term "antipower" implies misconception. Being "antipower" is giddy nonsense. Because in a democratic society, the voter is the source of all power.

On the Murayama Administration

[Akiyama] What is your assessment of the Murayama administration over these last three months?

[Ozawa] I do not really have anything to say. Since the end result will be to speed up changes, I think it is a good thing. A coalition of the Liberal Democratic Party [LDP] and the Social Democratic Party of Japan [SDPJ] would have been inconceivable or paradoxical if what the two parties had advocated for the last half century was in the least bit true. The impetus for the LDP and SDPJ merger was to preserve the status quo, and consequently, the facade has been completely discarded. Some among us decry that "Now with this, there are no longer any differences in policies, how shameful," as does the mass media; but that is absurd. There is a fundamental difference between them and us.

The preservation of the post-war structure, or not wanting to alter the Cold War standoff in world history and wanting things to remain as they were, this is the true nature of the LDP-SDPJ government. We who stand at this convergence of changes in history declare that we cannot allow Japan to do as it has done in the past; we must adapt. We are fundamentally different.

[Akiyama] On the other hand, despite the opposition having raised its banner of "reform," are there any real differences in its conduct now from how things were before? We saw the old habits surface again in the boycott of the prime minister's policy speech in the extraordinary session of the Diet, and in the Budget Committee's pursuit of scandals instead of needed policies.

[Ozawa] It is precisely because we stand at the point of changes in history that there is a mosaic of opinions. We, too, must work on deepening our arguments on policies, and delineate differences. In any case, it has been barely a year since the half-century-old system of consecutive [LDP] administrations met its end. To some degree it is unavoidable but this has to be overcome at the point a New-New Party is established. The media reports that "It looks like just a turf war over power," and it looks that way to the people. The currents of the day are flowing swiftly; to be simply swept by the current and gasp for breath would be senseless.

The New-New Party

[Akiyama] What sort of party will the New-New Party be?

[Ozawa] Whether we maintain the status quo or change will define the significant difference. Everything else derives from that. While I was still a member of the LDP, I emphasized political reform. But the powers that be said, "Why is Ozawa saying such a stupid thing. Things are fine just the way they are, the way they have always been. We just need to continue to march on." That is a fundamental difference; that means differences in basic motivation and basic nature.

The modernization of Japan achieved a fair and equitable distribution of wealth. Japan has forged a society unparalleled in the world for the equitable standards of its society. However, if the drive, the energy that drives us, is sapped by the unequal distribution of wealth, we shall no longer be able to maintain our society. The larger and healthier middle class we have, the better. The preservation of this should become the primary focus of a national government.

[Akiyama] It would appear that in the next general elections, the pivotal points are going to be the urban middle class and the uncommitted voters.

[Ozawa] Appealing to them as a campaign strategy would not attract votes. Politics must make appeals on basic policies. The single preeminent area of concern for the urban middle class, the wage earners, is housing. For the rural, agricultural voter, it is the lack of employment opportunities and the slowness in remedying the lack of access to cultural amenities. The legitimate way of campaigning will be to focus on these issues to win the election.

[Akiyama] What are your views on the Komeito [Clean Government Party] and the Soka Gakkai [Buddhist lay group]?

[Ozawa] The Komeito's pursuit of an electoral system based on single-seat districts is proof of their determination to exist as a new grouping independent of the Soka Gakkai. In the single-seat electoral district system, campaigns are going to be battles to obtain at least 50 percent of the vote, so under normal conditions, all the Komeito candidates would probably fail to be elected. Knowing this and still supporting the single-seat electoral district system does nothing to advance their alleged intimate relationship with the Soka Gakkai. The Komeito has to spread its wings in its campaigns. I do not have any reservations which would hold me back from teaming with the Komeito.

[Akiyama] What do you see being the relationship between Rengo [Japanese Trade Union Confederation] and the New-New Party?

[Ozawa] I am not of the opinion that Rengo would find the underlying character of the current LDP and SDPJ coalition agreeable. It would appear that our mindset is more acceptable.

On Ozawa's Health

[Akiyama] What would be your role, Mr. Ozawa, in the New-New Party? It is said you are the only man capable of the "hard labor" of soliciting funds and for planning election strategy.

[Ozawa] I have no ambition to be this or to become that. However, I would like to see this experiment of ours succeed. To that end, if I am asked to plan election strategy, I would do so and would like to cooperate with everyone.

[Akiyama] Why do you not assume a position as head of your party and seek political control?

[Ozawa] I have no special ambition to become the head of the party, nor anything else for that matter. But I would like to see our experiment succeed. We need some basic, fundamental changes, and the individual stratagems that will arise as a consequence have to be carried out by a personality well-received by the mass media, as well as someone acceptable to the people.

[Akiyama] Are there not health issues involved here as well? There are many who believe this issue is connected to your many trips to Europe.

[Ozawa] Let them think what they want. Ever since I was in the hospital for my heart, I cannot deny that my attitude has changed: There is no point in my slavishly working like a dog. I have done my part to direct the flow of the times and it is better to take things easy.

[Akiyama] There will be many elections next year; undoubtedly, the elections for the House of Representatives will take place under a new system. Can we expect a wave of change to sweep over the political world, changing in turn, the framework of the New-New Party?

[Ozawa] Certainly, at least once more, but I really could not say when that might be. Especially for the SDPJ, the local elections and those for the House of Councillors will be straining. There are extreme disparities and contradictions: The LDP and SDPJ serve in tandem in the central government, but this is not necessarily true in the local electoral districts. If we are able to organize a New-New Party, we intend to vie for political control and shall sponsor candidates in all electoral districts.

On International Relations

[Akiyama] Reading your work "Nihon Kaizo Keikaku [Blueprint for Building a New Japan]," calls to mind the tenets of the architects of the nation in the Meiji period, such as "Affluent Nation, Powerful Military" and "Surpass Asia and Join Europe". Especially, with the unipolar political and military concentration on the United States in post-Cold War world affairs, does this not suggest that we simply accept that we have no alternative but to intertwine our destiny inextricably with that of the United States?

[Ozawa] The responsibility of those in politics is to maintain the level of affluence and happiness. If we are to fulfill this duty, the question focuses on what would be the best thing to do. For Japan to maintain its current state of happiness, the entire globe must be happy; we cannot be isolated from our world. And our relationship with the United States must be viewed as a means to this end. The United States is the world's largest market. The LDP and the SDPJ have the idea that we can somehow get by with a passive attitude in international cooperation. The underlying philosophy is different.

[Akiyama] How would you evaluate our relationships with China and the Korean peninsula as compared to our relationship with the United States?

[Ozawa] We need to ask ourselves what kind of relationship is required with China and the Korean peninsula, and what kind of relationship we must maintain with the United States if we are to protect Japanese happiness. These are undoubtedly political decisions. It is both a demanding and crucial situation.

On Political Style

[Akiyama] There appears to be some difference, Mr. Ozawa, between you and the current administration on the speed with which political reform is pursued. In terms of political technique, is this not simply the difference between the "top to bottom hierarchy style" of political decisionmaking and "the forging of policies through consensus"?

[Ozawa] Just how is my style a top-down mode? And what do you call Prime Minister Murayama's overturning—in just a single day—the SDPJ tenets which had been bandied about for the last 50 years? Democracy does not mean that we fail to reach conclusions. To accept that Japan operates as a consensus-based society also means we have no need to change the way we get things done. The issue of becoming a permanent member of the UN Security Council was long disparaged; so what turn of events has made the administration so assertive and say it is not only unopposed, but in favor of the idea. We need to have this set out and settled.

[Akiyama] The process of nominating former Prime Minister Toshiki Kaifu for the office of prime minister, was this not a top-down mode of decisionmaking? The gravest doubts over the "Ozawa style of politics" is that while the philosophy is still young, the political style is old. It projects an image of being cloistered, clandestine, and taking advantage of having control of the majority vote. To divide everyone into friends or enemies, is this not the old Nagata-cho style?

[Ozawa] That is a completely different subject from what we are now talking about. In other words, the idea that everyone needs to get along, let us all go with the flow, has been the way we have done things to date. And behind the scenes, everyone did things together. I have even written scenarios for this. I am saying that we need to bring this all out into the open. If things are brought out into the open, everyone has to clearly express what they are thinking. In operating in the national Diet, I have never changed my position, whether out in the open or behind closed doors. I was the one who said it would be good to include the mass media in the meetings of representatives of the old coalition parties. And I was not the one who pushed for Mr. Kaifu's nomination.

[Akiyama] And how do you respond to the charges of those in power who say "Our style is different from Ozawa's strong man politics; we act democratically"?

[Ozawa] The parties in power say they are seeking a system of consensus. Their terminology for this is well selected. There is little to be said against it. The only thing that can be said is, so let us open up all the meetings. No one thinks that I work out in the open anyway. In the opposition camp, so long as I am involved, I would like for everything to be out in the open.

[Akiyama] Since last year it has become painfully clear how thick and strong the walls of the bureaucracy are.

[Ozawa] Without strong leadership, the buucracy cannot be changed. The role of bureaucrats is to collect information and present their ideas. The politician must choose from the menu of ideas, decide, then accept the responsibility. If roles are clearly divided, the results will be good.

[Akiyama] You are saying that despite the collapse of the 1955 system, no scalpel has been taken to the collusion of politics, bureaucracy, and enterprise.

[Ozawa] That is why things have to be out in the open. Whether it be political funding or anything else. We have to eradicate the ambiguities.

[Akiyama] Tell me about the possibility of the current session of the Diet passing a vote of no confidence on the prime minister.

[Ozawa] I would not know. If proposed at this point in time, such a motion would be defeated.

* Kato, Kono Rekindle Rivalry in LDP

952B0006A Tokyo SHUKAN GENDAI in Japanese
8 Oct 94 p 52

[Unattributed article in the "People" column: "Political Incident: The 'Shallowess' of LDP President Yohei Kono's Judgment Became Clear From His Great Defeat in the New 'KK War'"]

[FBIS Translated Text] Late on the night of 19 September, at a certain hotel in Tokyo, LDP President Yohei Kono, Vice President Keizo Obuchi, and Secretary General Yoshiro Mori heatedly debated how to deal with Policy Affairs Research Council Chairman Koichi Kato.

[Kono] It is strange for the "Shinseiki" [New Century] (cross-factional group chaired by Kato) to behave like a faction. The only thing to be done with persons who cannot cooperate in party reform is to have them resign their executive posts.

[Obuchi] No, we should not take such rash action on personnel matters. If we do something like that, splits will end up developing within the party.

This is based on the testimony of a certain LDP executive; (the executive) said "Both of them were speaking in a rather angry tone."

In the end, Kono accepted the advice of Vice President Obuchi, and reluctantly consented to give up the idea of changing Kato and to put off a personnel change until January of next year.

Beginning about 1986 Kono and Kato developed what was popularly referred to as the "KK war," vying with each other over the position of heir to the Miyazawa faction. A lull prevailed for a time recently, but the "grudge confrontation" flared up again because of the current incident.

It is said that, to begin with, difficulties surrounding the appointment of a successor to Executive Council Chairman Yoshiaki Kibe of the Watanabe faction became the origin of the LDP's flareup over personnel matters.

"It was said that replacing Executive Council Chairman Kibe was the prearranged line in the autumn appointments. But to dispense with him alone, would be like branding him as defective. What emerged, therefore, was the question of the retirement of Policy Affairs Research Council Chairman Kato" (reporter assigned to covering the LDP).

This means that Kono tried to drive away his rival by taking advantage of appointments within the party. However, on 12 September no sooner had Kono informed Secretary General Mori of his intention to completely change the appointment of officers, than one objection after the other came from within the party.

The biggest miscalculation for Kono was that the core members of Shinseiki, the YKK trio—Taku Yamasaki, Junichiro Koizumi, and Koichi Kato—had more power than he expected.

A certain mainstay Diet member of the LDP says: "The leaders of LDP factions are very sensitive to the moves of Shinseiki. If they stimulate the members of Shinseiki in a clumsy manner, the members may very well not only defect from the factions, but also leave, splitting the LDP. Therefore, virtually no party executives came to the support of President Kono."

In form, the great president of the LDP was defeated by a rival of many years' standing, and it is said that there is scathing criticism such as: "The shallowness of Kono's judgment has been exposed again. If one follows him, one cannot win in a fight" (mainstream Diet member) both in the LDP as a whole and within the Miyazawa faction. In any case, it is probably certain that a second act and third act of this new "KK war" will appear in the future.

LDP's Kato Discusses LDP-SDPJ Coalition, Reform

OW2510011594

[FBIS Editorial Report] Tokyo Asahi Newstar Television Network in Japanese at 1141 GMT on 23 October, during its weekly "Sunday Project" program, carries a

30-minute live interview with Koichi Kato, chairman of the Liberal Democratic Party's (LDP) Policy Affairs Research Council, by freelance commentator Soichiro Tahara and international politics analyst Yoichi Masuzoe.

At 1141 GMT, Tahara begins the interview by asking Kato why the LDP and the Social Democratic Party of Japan (SDPJ) have gotten along together so far. Kato says that it is rather more difficult to coordinate opinions among two parties on various issues than the general public might think. Calling the current coalition government the second LDP-SDPJ administration, he says that the former Hosokawa-led government is regarded as the first LDP-SDPJ administration because senior members of that government belonged to the LDP. Asked about the differences between the first and second LDP-SDPJ administrations, Kato replies: "In a word, the difference is that we have recognized the SDPJ." He adds: "We have definitely recognized the SDPJ as a political party as well as each member of the SDPJ as representative of tens of thousands of voters. I believe that the SDPJ has also recognized the LDP as a party which has managed the economy well. Although my opinion may sound like high-sounding talk, I believe that the coalition cannot exist without that understanding."

Tahara asks about remarks by Shinseito (Japan Renewal Party) Secretary General Ichiro Ozawa in an ASAHI SHIMBUN interview that the current administration is one which is trying to maintain the status quo, delaying handling of pending issues. Kato maintains that the current government has dealt with pending issues one after another, including the maintenance of the Japan-U.S. security arrangements, the bid for a permanent seat on the U.S. Security Council, peacekeeping operations, and the consumption tax.

Regarding administrative reform, Kato says: "We have so far focused all of our energy on such issues as the Constitution and the consumption tax hike. Now is the time to take on administrative reform, deregulation, and decentralization in a positive way." Tahara asks: "In concrete terms, what do you intend to do?" Kato notes his intention to adopt "gutai-rei hoshiki" (a "concrete plan" system). In describing the idea, he says that the former administrations did indicate an outline for administrative reform has not taken it on in a concrete manner. He adds that the coalition government intends to steadily carry out particular plans one by one before complete outlines for various reforms are worked out.

Asked how he considers the current yen's appreciation, Kato says the German mark's appreciation against the dollar thanks to the Kohl administration's victory in the recent election has partly contributed to the current strong yen. He says: "To restrain (the yen's appreciation), deregulation must be carried out." He adds that "it is difficult to calm down the strong yen unless the trade imbalance between Japan and the United States is corrected." He then declines to comment on the appropriate exchange-rate level. Reviewing the economic situation,

Kato says: "I do not think that the economy has actually reached its lowest level." Asked whether the government and ruling parties intend to take any measures to revitalize the economy, Kato replies: "We have not come up with good ideas. However, I think that from now on we have to study every possible measure."

Masuzoe asks Kato what he thinks about the domestic farm reform package, which was recently announced by the government and ruling parties. Explaining the details of the package, Kato says that the package is appropriate in content, saying that the government will be able to gain understanding from those who are engaged in farming.

Asked whether the LDP is seeking to form its own one-party administration, Kato says he does not think so. He says: "I do not think it will be easy for the LDP to form a one-party administration henceforth. We are greeting a coalition-government era." On the idea of forming a new LDP-SDPJ party, Kato says that this is impossible for the time being. He adds that the SDPJ holds a decisive vote in connection with the realignment of political parties, maintaining that his party is more attractive to the SDPJ than the former coalition parties. Kato then rules out the possibility of an early dissolution of the House of Representatives for a general election to seek public confidence in the LDP-SDPJ coalition government. Asked whether the LDP intends to take power by itself through a general election, Kato says: "I do not think the LDP has such an intention at present. Instead, it should try to maintain the LDP-SDPJ coalition for the time being." He says that there is a possibility that a general election will be held after the 1995 House of Councillors election.

LDP's Mori on Lower House Dissolution, Election

OW2610090994 Tokyo YOMIURI SHIMBUN in Japanese 25 Oct 94 Morning Edition p 3

[Text] Secretary-General Yoshiro Mori of the Liberal Democratic Party [LDP] gave a speech at a party seminar on political, economic, and cultural issues at a Shizuoka hotel on 24 October. Touching on the issue of dissolution of the House of Representatives and the general election, Mori said: "We will soon decide on candidates for the party's endorsement. Once candidates are selected, that will make us feel as if an election is near at hand. However, what is most important at this time is to take measures to prop up the economy. The election is not the key to all issues." In this way, Mori reiterated his negative approach toward the early dissolution of the House of Representatives and an early general election.

Former Niigata Governor Given Suspended Sentence

OW2510053194 Tokyo KYODO in English 0220 GMT 25 Oct 94

[FBIS Transcribed Text] Niigata, Japan, Oct. 25 KYODO—Former Niigata Gov. Kiyoshi Kaneko

received a suspended sentence Tuesday on being found guilty of falsifying a political donations report and trying to hide a 100 million yen donation from the scandal-ridden Tokyo Sagawa Kyubin Trucking and Delivery Firm.

The Niigata District Court sentenced Kaneko, 62, to one year in prison, with the sentence suspended for three years.

Prosecutors had demanded one year in jail for Kaneko, who, they argued, along with his campaign managers Tatsuei Nagumo, 73, and Hiroshi Tsuruta, 68, tried to conceal the Sagawa donation since making it public would have resulted in a "fatal scandal."

Kaneko and the other defendants were charged with violating the Political Funds Control Law by submitting the falsified report on the funds, which Kaneko had allegedly used to run successfully for governor in June 1989.

The Kaneko Camp collected more than 171 million yen in political funds in 1989, including the 100 million yen donated that may be by Hiroyasu Watanabe, then president of the now-defunct Tokyo Sagawa Kyubin Co.

But, in a report to the prefectural election management commission in April 1990, the defendants stated the amount of political funds collected by the Kaneko Camp as 117.3 million yen.

Of the 100 million yen Kaneko received from Watanabe, 50 million yen was not reported to the commission, and the remaining 50 million yen was disguised in the report as a contribution from the Niigata prefectural chapter of the Liberal Democratic Party (LDP).

During the trial, the three defendants admitted getting the 100 million yen from Watanabe, but they pleaded not guilty to conspiring to file a bogus report.

They said the report was compiled by the LDP's Niigata headquarters and they were forced to accept it.

Kaneko resigned as governor in September 1992 after prosecutors began investigating the influence-buying scandal involving the Tokyo Sagawa Kyubin.

Presiding Judge Seishi Nitta also sentenced Nagumo to 10 months and Tsuruta to eight months in prison, suspending both sentences for three years.

Nitta confirmed the arguments of the prosecution, noting that Kaneko had admitted filing the report with the falsified entries. He ruled further that the three had conspired to file the bogus report.

"This has betrayed the trust to the prefecture's citizens and seriously soiled the status of governor which should be pure and unselfish. It has also contributed all the more to (the people's) distrust in politics," Nitta said.

Takemura Remarks on Land-Value Tax, Rising Yen

*OW2610105494 Tokyo KYODO in English 1003 GMT
26 Oct 94*

[FBIS Transcribed Text] Tokyo, Oct. 26 KYODO—Finance Minister Masayoshi Takemura on Wednesday [26 October] eased his opposition to reviewing the land-value tax with a tax revision in the next fiscal year.

"I will not object to revamping the land-value tax if it is intended to embrace the objective" of the tax, Takemura told a regular press meeting. But he maintained his strong opposition to abolishing it on the view that the land-value tax was to curtail an upsurge in land prices during the so-called "bubble" economic boom in the 1980s.

The land-value tax was established in January 1991, with a provision to review it in three years.

Takemura said the tax was implemented in line with an overall tax reform and the basic land law adopted in December 1989 as a new national land policy.

"It just coincided with the bubble," he said. But his comments in effect provided room to accept requests from related industries and politicians to abolish the law given that land prices and liquidity have become stagnant since the collapse of the bubble boom.

Considering the yen's record-breaking rise against the dollar, Takemura reiterated that his ministry will "tenaciously" continue taking "appropriate and timely" measures to stem "undesirable" wild fluctuations not reflecting economic fundamentals.

He declined to comment when pressed by reporters to detail the measures.

On the planned unloading of government-held stocks of privatized companies, Takemura said his ministry intends to "closely watch" market trends to determine the timing and methods.

He was particularly referring to the remaining shares of Japan Tobacco Inc. (JT) and the planned further unloading of Nippon Telegraph and Telephone Corp. stock in the current fiscal year.

With some 40 percent of JT shares remaining unsold after a round of public-offering lotteries, the ministry decided Monday to freeze the unsold amount for the current year to try again in the next fiscal year or later.

JT stock will be listed Thursday on the Tokyo, Osaka and Nagoya stock exchanges.

Article Examines Discussions Over Tax Reform

*OW2510130394 Tokyo EKONOMISUTO in Japanese
11 Oct 94 pp 62-65*

[Article by journalist Yuzo Kawahara: "What Happened Behind the Scenes During the 60-Day Discussions on Tax Reform"]

[Text] The SDPJ Remained Passive

On 22 September, the heads of the three ruling coalition parties: the Liberal Democratic Party (LDP), the Social Democratic Party of Japan (SDPJ), and Sakigake [Harbinger], agreed to adopt a tax reform draft plan that calls for an income tax cut tied to a raise in the consumption tax rate from the current 3 percent to 5 percent. Right after the agreement was reached between the three parties, a doorplate was silently removed from the main entrance of the SDPJ headquarters in Tokyo. The doorplate read "Headquarters of the Anticonsumption Tax Hike Movement."

Tsuruo Yamaguchi, director general of the Management and Coordination Agency, who belongs to the SDPJ, admitted that "his party has broken its public promise." "I sincerely regret that we could not fulfill our campaign pledge," he said at a press conference held on the evening of 22 September, shortly after an extraordinary cabinet meeting approved the tax reform package.

This day, many SDPJ members looked sad. Meanwhile, their leader looked relieved after he successfully held a news conference at his official residence. "We have finally overcome an obstacle," socialist Prime Minister Tomiichi Murayama contentedly said to reporters who were still hanging around. However, he momentarily looked embarrassed when a reporter asked him if what he said during the news conference was enough to make people understand the need for a consumption tax hike. "Well, I should have given a little bit more explanation, but I think it was understandable on the whole," Murayama said.

After the inauguration of the Murayama government, the SDPJ abandoned many doctrines it maintained under the so-called 1955 political setup. It has already decided to consider the Self-Defense Forces constitutional, to admit the need for nuclear power plants, and to recognize the Sun flag and Kimigayo as Japan's national flag and national anthem. An SDPJ executive member had previously said, "The SDPJ would definitely lose its *raison d'être* if it decides to also abandon its anticonsumption tax slogan." Despite this remark, Prime Minister Murayama announced an increase in the consumption tax rate, explaining that he made the decision "because the SDPJ has become a responsible party at the center of government."

The fact that it has become a ruling party has forced the SDPJ to completely change its key policy. That is certain. However, it is still doubtful whether the SDPJ is fully aware of its "responsibility as a ruling party."

The ruling coalition's project team on tax reform opened its debate on 19 July. The LDP took the initiative in the discussions, while Sakigake, which is known to be a group of good debaters, presented a series of counterproposals. Meanwhile, the SDPJ remained quite passive, contrary to the public's expectations. Apart from Ichiro Hino, chairman of the SDPJ Research Commission on

the Tax System, and several other SDPJ lawmakers who were assigned to the coalition's project team, most SDPJ members remained silent about the tax reform issue.

One reason was that the SDPJ wanted to avoid any further internal discord until it successfully held a national convention to formally approve the major shift in key policies, including the platform on the constitutionality of the Self-Defense Forces. However, even after the SDPJ's national convention was successfully held on 3 September, the tax reform issue remained little-discussed within the SDPJ.

This was not a silent resistance against the fact that the coalition's tax reform debate had been progressing on the premise that a consumption tax hike was indispensable to cover the government's revenue shortfall. Evidence supporting this is that, well before the SDPJ's national convention, Tatsuo Murayama, chairman of the LDP Research Commission on the Tax System, had already been saying as follows. First, the tax reform should be revenue-neutral, with the consumption tax hike limited to simply covering the income tax reduction. Second, the tax reform bill should indicate the new consumption tax rate, and at the same time it should include a clause to review this rate. Third, the consumption tax hike and the income tax reduction should be treated in the same bill, even if the consumption tax increase would not take effect immediately.

The SDPJ was in fact leaning to the opinion that an increase in the consumption tax rate was unavoidable. However, it wanted to maintain its anticonsumption tax slogan ostensibly, and at the same time, to draft a tax reform plan without destroying the framework of the current ruling coalition. In other words, the SDPJ was trying to find a way to settle the tax reform issue, by passing only an income tax reduction bill for now and leaving the consumption tax hike for future discussion. The SDPJ was silent because of this ulterior motive.

At the national convention held on 3 September, SDPJ Secretary General Wataru Kubo, who plays the role of peacemaker inside the party, proposed putting an income tax reduction and a consumption tax increase in separate bills. On 4 and 5 September, he also repeated that it would be difficult to include both in the same reform bill. His remarks clearly indicated the circumstances under which the SDPJ was placed.

Meanwhile, the SDPJ's passive attitude gradually irritated LDP members. "Just when will the SDPJ free itself from its anticonsumption tax slogan?" LDP members did not hesitate to voice such expressions of discontent with the SDPJ.

What Was Finance Minister Takemura's Purpose When He Referred to a Consumption Tax Rate of 6 Percent?

The LDP became more irritated when Finance Minister Masayoshi Takemura made remarks in favor of "net tax increases." Takemura is known for having criticized the

7 percent national welfare tax plan, which was worked out by Shinseito [Japan Renewal Party] co-leader Ichiro Ozawa and his close ally, Komeito [Clean Government Party] Secretary General Yuichi Ichikawa, and for having forced then-Prime Minister Morihiro Hosokawa to abandon this plan, though he was chief cabinet secretary at that time.

However, Takemura has openly been saying that he favors "net tax increases," on the condition that "the government clearly commits itself to burden-sharing with the public by carrying out fiscal and administrative reform." According to a senior LDP official, the word "clearly" as used by Takemura is very treacherous.

Takemura, as seen by the public, is an ordinary middle-aged person of a gentle nature and weak character. For instance, the public often sees him sighing with an embarrassed look. The name of a charming character which appears in a famous illustrated children's book written by a Finnish writer, is now used as his nickname among the public. Contrary to this public image, Takemura is said to be an "extremely shrewd politician," as seen by his colleagues.

One day, Takemura said, "we can include the income tax reduction and the consumption tax hike in the same bill. However, it is also possible to put them in separate bills and to pass only the income tax reduction bill for now. Then, the timing for enacting the consumption tax hike bill will be decided later, by taking the economic recovery into consideration. We have to choose between these two solutions."

The news media reported his remarks, saying that the finance minister has suggested the possibility of a change in the government's policy to treat the income tax reduction and the consumption tax increase in the same bill. Takemura immediately criticized the reports, saying that the news media did not understand at all what he really meant, and that he was greatly embarrassed by such false reports.

However, shortly after he expressed his dissatisfaction with the news media, he made another ambiguous remark. He said, "Saying 'treating in the same reform bill' means that the income tax reduction, the consumption tax hike, as well as fiscal and administrative reform, should be discussed at the same time as a whole."

Moreover, when the tax reform debate reached the final stage, and when the news media started to ask his personal opinion, he suddenly began to draw a line between remarks made as finance minister and those made as Sakigake's head. He began using the following phrases: "As finance minister, I think..." or "As a person in charge of the taxation system, I believe..." His tactics were so successful that other coalition members acknowledged him as a great politician of the Takeo Miki type. That is to say, he is a smart leader of a small political group who knows how to tactfully deal with large political forces.

Takemura gave full play to his ability on 13 September, when he held a meeting with representatives of the ruling coalition's policy-coordination panel in the capacity of finance minister.

At that time, the coalition's project team on tax reform had almost finished formulating the outline of the tax reform plan. The outline included an increase in the consumption tax rate from the current 3 percent to 5 percent; the inclusion of a clause to review this rate in the tax reform bill; and an income tax cut through a combination of two methods: A permanent income tax reduction through structural changes, combined with a temporary reduction through the application of a uniform percentage cut. The only problem left was how to make the SDPJ accept this plan.

Despite this backdrop, Takemura suddenly started saying at the meeting: "I gave careful consideration to Japan's fiscal condition and to future social welfare needs, and I concluded that it is necessary to increase the overall amount of tax revenue by raising the consumption tax to a level that will more than compensate for revenue lost in an income tax cut."

Koichi Kato, chairman of the LDP Policy Affairs Research Council, and other members of the ruling coalition parties who attended the meeting, were stunned by Takemura's unexpected remarks.

"I personally think that the consumption tax rate should be raised to 6 percent from the current 3 percent. If it is not possible, I at least want the tax reform bill to clearly stipulate that the consumption tax rate will be further increased in the future," Takemura continued.

Takemura was bold enough to say that he supports "net tax increases" at a time when the coalition's project team was shaping a tax reform plan that was expected to be revenue-neutral with the consumption tax hike limited to simply covering the revenue shortfall caused by the income tax reduction. His comments favoring a 6 percent consumption tax rate rapidly spread among the ruling coalition members.

A senior LDP official was particularly angry with him. "Does Takemura want to upset the about-to-be-concluded tax discussions, or what?" he screamed.

However, the truth was that Takemura was not really driving at increasing the overall amount of tax revenue. Takemura's real intention was to tactfully draw the SDPJ out of its embarrassing situation. Takemura judged that it would be difficult for the SDPJ to accept a tax reform plan that would include both an income tax reduction and a consumption tax hike. He was afraid that the Murayama government might collapse as a consequence.

According to a Sakigake official, Takemura always held "strong affinities" for the SDPJ. Though he was fully aware that the LDP would never accept net tax increases, Takemura proposed a 6 percent consumption tax rate

with the idea of putting the income tax reduction and the consumption tax hike in separate bills, because he knew that this solution would be more acceptable to the SDPJ.

If a small political group like Sakigake wants to remain in power amid the strong movement to carry out political realignment, it is indispensable to join hands with large political forces. When Sakigake formed the new government with the LDP and the SDPJ, Takemura decided to go into closer partnership with the SDPJ than with the LDP, because Takemura, along with Ozawa and Ichikawa, was still seen by many LDP members as one of the principal architects of the plot to oust the LDP from power. Takemura maintained his policy and continued to value the partnership with the SDPJ, even when the SDPJ was running the risk of being isolated during the tax reform debate. That was the background of Takemura's remarks on net tax increases.

Raising the Consumption Tax Rate to 5 Percent Was a Preconceived Idea

It was only in September that the ruling coalition began to openly speak about raising the consumption tax rate to 5 percent. However, this solution had been discussed by the coalition's project team earlier.

The project team had a clear policy: Say no to the 7 percent national welfare tax plan, which was worked out by Ozawa and Ichikawa. It did not entirely refuse the basic idea of Ozawa's tax reform plan, but at any rate it did not want to increase the consumption tax rate to 7 percent.

The shaky alliance between the LDP, the SDPJ, and Sakigake is supported by the three parties' hostile feelings against Ozawa and Ichikawa. The LDP was ousted from power because Ozawa and his followers defected from the LDP to form a new party. The SDPJ and Sakigake were compelled to pull out from the previous ruling coalition led by Shinseito and Komeito, because of Ozawa's high-handed tactics.

According to a member of the project team, everyone shared the same opinion that the consumption tax rate should be raised to 5 percent, from the very beginning. The hostile feeling toward Ozawa and Ichikawa made the project team choose 5 percent, a figure just between the current 3 percent and the much decried 7 percent. Although there was no logical justification for raising the consumption tax rate to 5 percent, the project team continued holding discussions in that direction. When then-Prime Minister Hosokawa proposed a 7 percent national welfare tax, the SDPJ strongly criticized that this figure was chosen based on a rough estimate. Now, the government led by socialist leader Murayama made the same mistake. It also selected a figure without deep reflection and spent much time in finding a solution to justify it.

This year an income tax reduction worth 5.5 trillion yen was realized by a uniform percentage cut for all income

groups. In the beginning, the Murayama government was expected to repeat this year's income tax cut in 1995, by changing the tax rates for different income-earner groups and not by applying a uniform reduction for all taxpayers. The only problem was that an increase in the consumption tax rate to 5 percent was not enough to make up for the revenue shortfall caused by an income tax cut worth 5.5 trillion yen, because this figure was originally calculated by the previous government, on the assumption that the 3 percent consumption tax would be replaced by a 7 percent national welfare tax. This is why the Murayama government decided to implement the second-year income tax cut through a combination of two methods. The use of two alternative methods for reducing income taxes was proposed by Sakigake.

One portion of the income tax cuts, worth 3.5 trillion yen, will come from a permanent income tax reduction, which will be realized by changing the tax rates for different income-earner groups. The other portion, worth 2 trillion yen, will come from a temporary income tax reduction, which will be realized by a uniform percentage cut for all income groups. The temporary income tax reduction will be discontinued when the consumption tax rate is raised to 5 percent, while the revenue generated by the consumption tax hike will make up for the permanent income tax reduction. It is quite obvious that the combination of the two methods is a tricky measure to make the 5 percent rate work. The special income tax reduction bill, which was enacted in March under the Hosokawa government, clearly stipulates that income tax cuts will be realized through structural changes in the taxation system from 1995. Despite this fact, the Murayama government decided to continue applying a uniform percentage cut for all taxpayers, because it just wanted to raise the consumption tax rate to 5 percent instead of 7 percent.

Backdoor Negotiations To Persuade the SDPJ To Change its Stance

The preconceived idea of raising the consumption tax rate to 5 percent has considerably impeded the implementation of a comprehensive tax reform. Meanwhile, the SDPJ was also a hindrance to the LDP and Sakigake in drafting a tax reform plan. When the draft plan was about to be completed, both parties had to craftily contrive moves that would make the SDPJ accept the plan. Winning the Ministry of Finance over to their side, LDP and Sakigake members were busily engaged in backdoor negotiations to persuade the SDPJ to change its stance. "Welfare" was the key word to entice the SDPJ.

The SDPJ had been telling the LDP and Sakigake that its members would never accept a consumption tax hike, as long as the hike would not help support social welfare spending. In order to satisfy the SDPJ, the LDP and Sakigake promised to allocate 500 billion yen for welfare spending, from revenue gains (worth 4.1 trillion yen) to be generated by the consumption tax hike. This portion

of revenue gains was originally supposed to compensate for a shortfall (worth 400 billion yen) caused by the abolition of the special corporation tax and the automobile consumption tax. Therefore, the Murayama government will now have to find another way to cover this shortfall.

Moreover, the LDP and Sakigake also agreed to allocate an additional 100 billion yen in 1995, and 200 billion yen in 1996, for a new welfare program, as part of the regular budget process. They also approved a temporary measure to grant special welfare benefits, which will be worth 50 billion yen in total.

All these measures were decided at the last minute, without holding any discussions about the expected future increase in social welfare spending, simply because the LDP and Sakigake had to make the SDPJ accept the tax reform plan.

Meanwhile, the SDPJ itself had no definite plan for tax reform. This is why it gave the impression that it accommodated the LDP and Sakigake on the tax reform plan, only because it wanted to prolong the life of the Murayama government.

Administrative Reform Is Expected To Have Little Impact on Government Spending

The coalition's project team on tax reform had to meet many preconditions: Raising the consumption tax rate to 5 percent; finding a solution to finance social welfare needs in order to satisfy the SDPJ; and working out a plan that helps revive the economy and fulfills Japan's international pledges concerning the delay in the implementation of a consumption tax hike. Despite these difficulties, it successfully drafted a tax reform package within two months.

"I think it is the best conceivable plan for now," Finance Minister Takemura said.

However, the ruling coalition could not bring about a fundamental change in the progressive taxation system, because it limited the scale of the permanent income tax reduction to 3.5 trillion yen instead of 5.5 trillion yen. As for the consumption tax exemptions that are currently allowed for small businesses and that are criticized as giving such enterprises "inappropriate profits," the ruling coalition did not review this favorable treatment thoroughly, so that the total amount of "inappropriate profits" will be reduced only by 300 billion yen per year.

Measures adopted at the last minute to finance social welfare needs do not at all reflect the new welfare vision, which was formulated by the government's advisory tax council to prepare for the aging of Japanese society. Fortunately, the tax reform draft includes a clause to review the 5 percent rate six months before its implementation. The questions of how to raise the funds needed for welfare programs and how to cut other government spending through administrative reform

will be discussed again at that time. However, a significant cut in government spending does not seem possible, because only Sakigake is eager to carry out comprehensive administrative reform.

The Ministry of Finance, which stands on top of the Japanese bureaucracy, would ironically say to Sakigake as follows:

"Well, if you want to implement administrative reform, please do so. But, setting aside the question of whether or not administrative reform will considerably help save money, we just wonder if there is a politician who is capable of doing such a thing, defying every counterattack launched by the bureaucracy."

Under such circumstances there is a possibility that the Murayama government might resort to another increase in the consumption rate. Even SDPJ General Secretary Wataru Kubo has already indicated the possibility of a further increase. "We should first consider the burden to be borne by each citizen for financing social welfare needs, which increase as Japanese society ages. We may come to think that another slight increase in the consumption tax rate is necessary," he said.

Hiroshi Kato, chairman of the government's advisory tax council, held a news conference at the Ministry of Finance shortly after the Murayama government announced its tax reform package. He took some expressions from a famous book written by Sosuke Natsume to describe the situation.

"The expression 'Let intellect be your sole guide and you will become harsh and rigid' applies to the Ministry of Finance. The expression 'You cannot swim with the tide if you get too excited' is for the LDP. As for the SDPJ, it restrained its freedom of action as it grew obstinate," Kato said ironically.

According to a senior ministry official, the Ministry of Finance, which played a major role in drafting the 7 percent national welfare tax plan under the Hosokawa government, was entirely devoted to playing the role of a stagehand for the Murayama government, because its policy-making power was strongly criticized after then-Prime Minister Hosokawa had to abandon the national welfare tax plan.

The implementation of the much-awaited consumption tax hike under a socialist-led government should have great significance to the Ministry of Finance, although the consumption tax will be raised to only 5 percent. The Ministry of Finance gained the third party's profit, while the tax reform plan was strongly criticized as being the result of a compromise between the LDP, the SDPJ, and Sakigake, to simply prolong the life of the Murayama government.

Businesses, Bureaucrats Divided Over CDD

OW2510094394 Tokyo NIHON KEIZAI SHIMBUN in Japanese 24 Oct 94 Morning Edition p 3

[FBIS Translated Text] The tug-of-war between the business sector and the bureaucrats over the creation of

a working group including private citizens to participate in the formulation of the five-year plan on the promotion of deregulation is at a critical stage. They have generally agreed not to call the panel a working group, but to create a "committee to discuss deregulation" (CDD: tentative name), which will serve as a venue of deliberations within the Administrative Reform Promotion Headquarters. However, while Keidanren [Federation of Economic Organizations of Japan] is asking that "specific areas of discussion" be included, the bureaucracy wants the panel to be simply a place for general exchange of views.

The creation of the working group was first proposed by Keidanren Chairman Shoichiro Toyoda. He met Tsuruo Yamaguchi, director general of the Management and Coordination Agency, in September and reiterated his request last spring that a working group comprising academicians, business executives, representatives of the Western countries, politicians, and bureaucrats be created. That the deregulation program should also embody the wishes of the business sector is a major concern of Toyoda.

According to a briefing given by Takeshi Fujii, director of the Councilors' Office on Internal Affairs under the Prime Minister's Office, in October, an organization not using the name of "working group" was to be created under the Administrative Reform Headquarters by the end of November. However, members of this panel would consist of councilor-rank bureaucrats and members of the Keidanren secretariat alone. Topics to be discussed would also exclude "distribution and market access," "information and communications," and "land and housing," which were taken up in previous discussions.

In response, Keidanren expressed displeasure with the fact that the limited membership runs against the principle of open discussion, and that the three areas taken up before had been deleted.

Renewed coordination between the relevant government ministries and agencies has taken place since then, but no conclusion has been reached on the topics of discussion. Regarding the issue of whether academicians and representatives of the Western nations should be included in the panel, the bureaucrats still insist that, "The participation of the representatives of the Western countries may lead to the discussions being used in relation to the Japan-U.S. economic frictions." While Keidanren will push its proposal harder early this week, it seems that the resistance of the bureaucrats will be formidable.

Keidanren Urges Decentralization of Authority

OW2610054194 Tokyo KYODO in English 0435 GMT 26 Oct 94

[FBIS Transcribed Text] Top officials of Japan's major business organization, the Federation of Economic Organizations (Keidanren), urged Home Affairs Minister

Hiromu Nonaka on Wednesday [26 October] to promote decentralization of authority.

Keidanren Chairman Shoichiro Toyoda and other Keidanren officials met with Nonaka in a Tokyo hotel to exchange views on government plans for deregulation and decentralization.

Toyoda, who is also chairman of Toyota Motor Corp., told Nonaka a bill on the decentralization of authority to the next ordinary Diet session opening in January should have a concrete idea on allowing local autonomous bodies to have more powers.

Nonaka replied that Prime Minister Tomiichi Murayama has also called for stepped-up efforts for decentralization and that both houses of the Diet have established special committees on the issue.

Bank of Japan Governor Sees Recovering Economy

OW2610080094 Tokyo KYODO in English 0710 GMT 26 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 26 KYODO—Bank of Japan Governor Yasushi Mieno said Wednesday [26 October] that Japan's economy is gradually recovering but the outlook remains uncertain with unstable currency rates.

Mieno said at a news conference, "Japan's economy is moderately recovering with bright signs spreading on a broad front."

As encouraging factors, Mieno cited still robust private consumption, more-than-expected increases in exports despite a stronger yen and an upward trend in industrial production.

At the same time, Mieno said the mood of management remains sluggish in viewing the economic outlook because of unstable foreign exchange rates, a downward trend in prices and intensified competition with Asian nations.

Under the circumstances, the central bank is basically taking a "wait-and-see" stance on credit policy, Mieno said, reiterating it will continue to carefully examine the sustainability and pace of the economic recovery.

While citing problems such as individual consumption dropping off after the hot summer and tax cuts, unfavorable foreign exchange rates and still slack capital spending, there is also a possibility the recovery will accelerate its pace at some point, he said.

For the currency markets, Mieno said a common perception has been established among the Group of Seven (G-7) industrialized nations that foreign exchange rates should be formed stably, reflecting each nation's economic fundamentals.

The central bank will take timely and appropriate action through close contact with the G-7 nations, as in the past, Mieno said.

The recent gradual recovery in the money supply has been in line with real economic recovery, Mieno said.

Monetary aggregate data will continue to be "useful" in judging the economic conditions, he said.

Regarding the liberalization of interest rates on deposits, Mieno believed that each financial institution determined the rate at its own discretion in the light of its own management strategy.

It was possible that their judgment resulted in similar rates at a time of extremely low market interest rates, he said.

In order to support Japanese banks' innovative moves in the derivatives market, Mieno called for further deregulation, disclosure and improvement in accounting systems.

In this regard, he pointed to the need for the banks to assess relevant risks accurately and set up appropriate control mechanisms.

To check the so-called hollowing out of Japan's financial markets, Mieno said inconveniences should be remedied by removing the relics of the "bubble" economy.

Stimulated by Domestic Demand

*OW2610112594 Tokyo KYODO in English 1050 GMT
26 Oct 94*

[FBIS Transcribed Text] Manila, Oct. 26 KYODO—Domestic demand is fueling Japan's economic recovery and its rise will be steady and gradual, a Japanese financial analyst told a workshop sponsored by the Asian Development Bank (ADB) on Wednesday [26 October].

Mitsuhiro Teraoka, an official of Japan's Finance Ministry, said in a report that the strong showing of the public works and housing construction sectors is the major force pushing up economic growth.

He also told the seventh ADB workshop on Asian economic outlook that personal consumption appears to be picking up, citing the first improvement in auto sales in 15 months.

Industrial production has also increased in the past two quarters, he said.

Teraoka also cited a Bank of Japan survey released last month showing that business confidence has "significantly improved."

But at the same time Teraoka said that, due to the great accumulation of capital stocks in the late 1980s, the recovery would not be very rapid but "steady and rather gradual."

He also said that recent exchange rate movements were cause for apprehension, citing "conspicuous adverse effects" on economic activities brought about by last year's rapid appreciation of the yen.

Teraoka said Tokyo forecast Japan's gross domestic product will amount to approximately 494.9 trillion yen in 1994, with a growth rate of 2.6 percent in real terms and 3.8 percent in nominal terms.

He said it is important to keep the Japanese economy on track by implementing flexible fiscal and monetary policies while paying attention to downside risks from the short- and medium-term points of view.

Teraoka also said it is important to promote structural reforms, including deregulation, regardless of business cycles.

The employment front remains sluggish since unemployment levels rose in 1992. He said those particularly affected by the job crunch are the unemployed, and middle-aged or elderly employees and women.

On Japan's current account surplus, Teraoka said it declined for the first time in 1993 after three years of consecutive increases.

For the first seven months of 1994, the surplus in yen terms showed a further decline, mainly reflecting the steady increase in imports, Teraoka said.

Key Economic Indicator Rising

*OW2510073494 Tokyo KYODO in English 0633 GMT
25 Oct 94*

[FBIS Transcribed Text] Tokyo, Oct. 25 KYODO—A key economic indicator showing the present state of economy for August stood above 50 percent for the first time in three months, reflecting an upward trend in the domestic economy, the Economic Planning Agency said Tuesday [25 October] in a preliminary report.

The closely watched diffusion index of coincident indicators rose to 90.0 percent, the highest level since the 100.0 percent posted in July 1987.

In the preceding two months, the index fell below the "boom-or-bust" line of 50 percent, standing at 40.0 percent in July and at 45.5 percent in June.

The leading index, which forecasts the economic situation in the coming three to six months, was at 100.0 percent, rising above 50 percent for the eighth month in a row. The previous figure of 60.0 percent for July was revised to 63.6 percent on addition of data.

The report said the recent figures "show a change in the economic situation." In the previous report for July the agency said, "there is a strong possibility of a change in the economic situation."

The agency refrains from saying that the economy is seen to be improving to avoid giving the impression of too

optimistic a view, an agency official said, noting that the uptrend is only apparent in the mechanical world of coincident indexes.

"However, we can say that fears about the negative effects for the economy, such as exchange rates, are much weaker," he said.

The lagging index, which shows the economic performance of the past several months, came to 42.9 percent, falling below 50 percent for the 11th consecutive month in a row.

Domestic Auto Output Falls 7.2 Percent

OW2510065094 Tokyo KYODO in English 0612 GMT 25 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 25 KYODO—Japan's domestic production of motor vehicles in the first half of fiscal 1994 fell 7.2 percent from the corresponding period of last year to 5,116,492, for the third-sharpest fall for any first half-year in 20 years, an industry group reported Tuesday [25 September].

The Japan Automobile Manufacturers Association said the figure includes output of minivehicles with engine capacity of up to 660 cc.

The drop was the third-steepest since the first half of fiscal 1974, when domestic production dropped 11.2 percent. The second-sharpest drop of 10.4 percent was recorded in the first half of fiscal 1993.

Total production for the April-September period of 1994 included 3,750,174 passenger cars, down 9.7 percent from the same period last year.

Output of trucks in the first half made the first upturn in six years, rising 0.2 percent over a year earlier to 1,341,701.

Production of buses dipped 2.0 percent to 24,617, the association said.

Domestic sales grew 2.3 percent to 3,193,402, with passenger cars accounting for 2,039,551, up 1.9 percent.

Sales of trucks increased 3.0 percent to 1,144,962, while sales of buses slipped 7.2 percent to 8,889, it said.

The association said vehicle exports in the first half dropped an estimated 9.9 percent from a year earlier.

In September, vehicle production totaled 965,043, down 3.0 percent from a year earlier for the 24th straight month of declines from year-earlier levels.

The year-to-year drop, however, was the smallest since this year, it said.

Passenger car production in the month slumped 6.3 percent to 703,493 for the 18th straight fall from year-before levels.

Production of trucks in September gained for the fourth straight month, increasing 7.2 percent to 257,039, with minitrucks accounting for 76,328, up 6.1 percent.

Bus output climbed 6.3 percent to 4,511 for the third straight year-on-year rise, the association said.

While production of compact and subcompact cars declined, production of minicars in September rose 5.2 percent to 71,660.

In September, domestic vehicle sales totaled 620,529, up 6.6 percent, with passenger cars accounting for 387,924, up 5.4 percent.

Sales of trucks rose 8.6 percent to 230,781 in the month, while sales of buses increased 3.3 percent to 1,824, the association said.

The association estimated vehicle exports in September slumped about 11.2 percent from a year earlier.

Motorcycle production for the April-September period plunged 10.1 percent from a year earlier to 1,350,980 vehicles.

Domestic motorcycle sales totaled 631,073, down 6.8 percent.

Exports of motorcycles in the first half plunged about 16.1 percent from a year earlier.

In September, the association said, motorcycle production plummeted 10.9 percent to 232,329 vehicles, posting the 18th straight drop from year-earlier levels.

Domestic sales of motorcycles in the month made the first upturn in seven months, rising 0.2 percent from a year earlier to 132,376.

Motorcycle exports in September were estimated to have plunged 23.5 percent, the association said.

Toyota Motor Corp., leader of the industry, increased its motor vehicle output by 0.2 percent to 1,751,394 units, boosted by increased output of trucks and buses, the association said.

The company's production of passenger cars declined 3.1 percent to 1,371,251 units, it said.

Production by Nissan Motor Co. plunged 18.2 percent to 736,791 while output by Honda Motor Co. fell 17.3 percent to 460,826, it said.

Production by Mitsubishi Motors Corp. and Mazda Motor Corp. declined 9.4 percent and 2.9 percent respectively to 608,869 units and 467,552, the association said.

The association said output by Fuji Heavy Industries Ltd., maker of Subaru cars, declined 2.5 percent to 212,316 although its truck production gained 9.8 percent to 64,207 units.

North Korea

Daily Demands Complete Nuclear Weapons Removal

SK2610075494 Pyongyang NODONG SINMUN in Korean 23 Sep 94 p 6

[Article by Song Mu-kyong: "Nuclear Weapons Must Be Completely Abolished"]

[FBIS Translated Text] The third meeting of the preparatory committee of the fifth meeting to deliberate on the implementation of the Nuclear Nonproliferation Treaty [NPT] was held recently in Geneva. This meeting was convened in connection with the fact that a congress will open in 1995, when the NPT expires, to decide on the fate of the treaty.

At the meeting, representatives of many countries pointed out the inequality and imbalance of the NPT and expressed the view on revising the treaty.

As representatives of numerous developing countries pointed out, the NPT's fatal weakness is that the treaty is mainly composed of provisions on the nuclear states' duty of the nonproliferation of nuclear weapons and the nonnuclear states' abandonment of the rights to possess nuclear weapons and that it does not contain any provision on completely abolishing nuclear weapons. Under the treaty, the nuclear states have no duty or responsibility to abolish nuclear weapons and are exempted from nuclear inspections. To the contrary, even peaceful nuclear activities by the nonnuclear states are subjected to surveillance and control by the International Atomic Energy Agency [IAEA].

At the meeting, representatives of many countries demanded that the NPT be revised into a fair treaty to ensure that the nuclear and nonnuclear states have equal duties.

Countries that have nuclear weapons are a minority in the world, and nonnuclear states are a majority. To free mankind from uneasiness over a nuclear catastrophe, the treaty must be revised to comply with the aspirations and demands of the nonnuclear states. Toward that end, the treaty should include provisions banning a country from deploying nuclear weapons in territories of foreign countries, the high seas, and space; guaranteeing the establishment of nuclear-free zones; ensuring the unconditional and legally binding nonuse of nuclear weapons; totally banning nuclear weapons tests; and ensuring the across-the-board and complete abolition of nuclear weapons.

The great leader Comrade Kim Il-song has taught:

"Reducing arms and abolishing nuclear weapons is the most pressing issue in guaranteeing peace in the present era. As long as there are nuclear weapons on earth, mankind will not be able to free itself from the threat of a nuclear war."

As long as there are nuclear weapons on earth, the danger of a nuclear war will not disappear, and mankind will not be able to free itself from the constant threat of a nuclear catastrophe.

Waging the struggle to oppose a nuclear war and ensure a stable peace in the world is the consistent position of our party and the Government of our Republic.

We must completely abolish all nuclear weapons on our planet to fulfill mankind's earnest desire to live in a world free from the danger of a nuclear war.

In order to completely abolish nuclear weapons, the nuclear states and, in particular, countries that have many nuclear weapons and pose nuclear threats in reality, must first abolish nuclear weapons.

We cannot completely remove nuclear threats by merely reducing nuclear weapons. Behind the facade of "arms reduction," nuclear powers are developing new, high-performance nuclear weapons and continuously increasing nuclear destructive power. That nuclear powers, without abolishing their own nuclear weapons, are babbling about other countries' "nuclear threats" is a mere ploy to continuously possess nuclear weapons under the pretext of such threats.

If nuclear states genuinely want to remove nuclear threats and achieve a stable peace, they must prove it by completely abolishing nuclear weapons in actuality.

The proliferation of nuclear weapons must be banned thoroughly to completely abolish nuclear weapons.

What is important here is that the double standard in implementing the NPT must be rejected and that the principle of fairness must be adhered to strictly.

In addition to the massive existing nuclear facilities, new fast breeders are under construction one after another in Japan and South Korea. It is not coincidental that the international social circles are expressing great worry over the fact that Japan and South Korea have been hastening to carry out their plan to arm themselves with nuclear weapons. Even graver is the fact that they, while babbling about our "nuclear suspicions," have been persistently obstructing a solution to the nuclear problem and tried to justify their nuclear plan under the pretext of the nuclear suspicions. Nevertheless, the IAEA, while turning a blind eye to problematic facilities, is talking about "special inspections" of us, who have no problem. This would further the implementation by Japan and South Korea of their nuclear plans. This is a good example of the application of the double standard.

The international community must pay due attention to facilities that have problems in reality, step up international surveillance, and, thus, prevent the emergence of new nuclear states.

The tests, production, and deployment of nuclear weapons must be thoroughly banned to completely abolish nuclear weapons.

As representatives of many countries contended at this meeting, tests of nuclear weapons must be fully banned forever. The use of nuclear weapons must be banned, and the transfer of materials, technology, and facilities that can be used for manufacturing nuclear weapons must be banned, and the implementation of the plan to manufacture nuclear weapons based on the transferred materials, technology, and facilities must be banned, as well. Moreover, nuclear weapons deployed in various regions of the world must be abolished, and nuclear war exercises that threaten other countries must be suspended.

Completely abolishing nuclear weapons and building a denuclearized world is the unanimous aspiration of the people of the world. The peace-loving people of the world must establish nuclear-free, peace zones in various regions of the world and expand them.

Establishing nuclear-free, peace zones is a powerful way to remove a practical cause for a nuclear war and the danger of such a war and build a world free of nuclear weapons.

Denuclearizing Northeast Asia, including the Korean peninsula, where the greatest danger of a nuclear war exists, is an important key to ensuring peace in Asia and the world in general.

Our people are extending positive support for and firm solidarity with the struggle by the peace-loving people of the world to establish nuclear-free, peace zones in North-east Asia and the South Pacific, the Indian Ocean and the Middle and Near East, the Balkan peninsula and Europe, Africa, Latin America, and various other regions of the world.

If we expand nuclear-free, peace zones everywhere, the imperialists will have no place to perpetrate nuclear war commotions and, consequently, will have no choice but to abolish all nuclear weapons.

Our people will make positive efforts with the peace-loving people of the world to denuclearize the Korean peninsula and, thus, abolish all nuclear weapons and build a world free of nuclear weapons.

Indonesian President Welcomes U.S.-North Accord

SK2410053594 Pyongyang KCNA in English 0505 GMT 24 Oct 94

[FBIS Transcribed Text] Pyongyang, October 24 (KCNA)—Indonesian President Suharto hailed the agreed framework between the Democratic People's Republic of Korea and the United States of America in the capacity of the chairman of the Non-aligned Movement.

The president on October 22 said that Indonesia hopes that the agreed framework will contribute to easing the tension on the Korean peninsula.

He said he was convinced that the agreed framework will be the foundation for the removal of the state of confrontation on the Korean peninsula and promote peace and stability and the establishment of sound relations in this region.

Delegation to North-U.S. Talks Returns Home

SK2510151394 Pyongyang KCNA in English 1508 GMT 25 Oct 94

[FBIS Transcribed Text] Pyongyang, October 25 (KCNA)—The delegation of the Democratic People's Republic of Korea headed by First Vice-minister of Foreign Affairs Kang Sok-chu returned home today after participating in the 2nd session of the third round of DPRK-U.S. talks in Geneva.

It was met at the airport by Vice-premier and Foreign Minister Kim Yong-nam, Vice-minister of Foreign Affairs Choe U-chin and other officials concerned.

Deployment of Troops Inside DMZ Denounced

SK2610074694 Pyongyang Korean Central Broadcasting Network in Korean 1221 GMT 25 Oct 94

[Commentary by Yun Pyong-son: "Confrontation Can Be No Way Out"]

[FBIS Translated Text] Timed to coincide with the fact that the DPRK and the United States reached a basic agreement on solving the nuclear problem on the Korean peninsula, the South Korean puppets have further stepped up military provocations against us along the Military Demarcation Line in the Demilitarized Zone [DMZ].

According to reports, on 22 October, the puppets brought scores of armed bandits to Mabang-ri, Chorwon County inside the DMZ and indulged in war frenzies, while randomly wielding heavy and automatic weapons in front of us. They also made a fuss by bringing 14 military vehicles loaded with armed bandits and approximately 20 cartridge boxes to an area close to the DMZ, from Hyon-ri, Kirin-myon, Kangwon Province of South Korea.

On 21 October, approximately 100 armed bandits of the puppet army swarmed into Mt. Paegak, southeast of Panmunjom; Kumchon-ri of Kimhwa County; and Chawon-ri of Pyonggang County and indulged in war frenzies. They also reeked of powder, while firing hundreds of shells toward [place name indistinct].

How much the puppets are engrossed in war fever is shown by the mere fact that on 21 and 22 October alone, the puppets brought approximately 1,200 armed bandits and 350 vehicles to the DMZ in the western, central, and eastern sectors of the front line.

The military provocations the puppets have further stepped up in the DMZ, along which the North and

South are in tense confrontation, are a deliberate maneuver to further aggravate military tension and ignite a fuse to a war.

As is well known, a basic agreement was reached at the DPRK-U.S. talks, which lasted for almost one year and a half, which has opened bright prospects for solving the nuclear problem on the Korean peninsula. This has opened a favorable phase in freeing our nation from the constant danger of a nuclear war and hastening the fatherland's reunification and will be good to both the North and South. For this very reason, wide-ranging people of the world enthusiastically supported and welcomed the agreed framework between the DPRK and the United States and unanimously hope that this agreed framework will contribute to easing tension on the Korean peninsula.

Why has the Kim Yong-sam ring further stepped up military provocations against us and aggravated tension at such a time? This is related to the pressing situation it is facing. Even though the traitor Kim Yong-sam has propagandized about civilian politics and reform since he took power, a new security-oriented rule more vicious than that of the Fifth and Sixth Republics has been imposed, and the economy and the people's livelihood have fallen in the mire of catastrophe. Contradictions and conflicts inside the ruling group have been aggravated as time has gone by and domestic and foreign policies have repeatedly failed. As a result, Kim Yong-sam's popularity has plummeted to the ground. Moreover, as the DPRK-U.S. talks have concluded, the puppets have been reduced to the fate of a dog that is futilely chasing after a chicken on a roof.

The representative of a South Korean opposition party openly condemned Kim Yong-sam at the puppet National Assembly, saying that his foreign policy is his greatest failure. People raise their voices to overthrow Kim Yong-sam, while the military and minority openly state that it is time to wield physical power or make a move first. Cornered at home and abroad, the Kim Yong-sam regime is in the worst difficulty since he took power and faces the crisis of a total collapse. The Kim Yong-sam ring, which has been led to a dead end, is trying to find a way out of this in military tension and North-South confrontation. This is why the puppets fire guns, reek of power, and incite us along the DMZ.

However, military provocation maneuvers will not serve as a way out of the crisis. People see the miserable shape of a dying man in the puppets' reckless military provocation maneuvers.

Even though the Kim Yong-sam ring is trying to find a way out in military tension and North-South confrontation, this will only hasten its destruction.

North Red Cross Urges South To Return Prisoners

*SK2510214594 Pyongyang KCNA in English 1519
GMT 25 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 25 (KCNA)—Yi Song-ho, acting chairman of the Central

Committee of the Red Cross Society of the Democratic People's Republic of Korea, in a letter to Kang Yong-hun, president of the South Korean Red Cross, today strongly urged the South side again to repatriate old Kim In-so, Ham Se-hwan and Kim Yong-tae, unconverted long-term prisoners detained in South Korea, to the Northern half of the country as they demand.

Yi Song-ho in his letter said that old Kim In-so, Ham Se-hwan and Kim Yong-tae should have been repatriated at the time of the exchange of prisoners of war right after the ceasefire in view of the provisions of the Korean Armistice Agreement and the international law and should have been returned to their home towns at least in the later period under the protection of the Red Cross organisation because they are POWs who served as soldiers of the Korean People's Army during the war and were arrested while engaged in guerrilla activities under unavoidable circumstances.

He further wrote:

Nevertheless, they were unjustly forced to live in prisons for tens of years by the South Korean authorities for the mere reason that they refused ideological conversion and still now, though nominally released, are actually under the watch and persecution by the authorities and live in a miserable lot in the declining years of their lives, not allowed to come as they wish to their native places where their flesh and blood live.

Though there is the Red Cross organisation in South Korea, the inherent mission of which is noble humanitarianism and human love, it has taken no measure till today, paying no heed to their piteous lot. This cannot be construed otherwise than that your Red Cross has abandoned its mission and is subjected to the pressure and restrictions of the authorities.

Old Kim In-so, Ham Se-hwan and Kim Yong-tae have already earnestly requested your Red Cross and international human rights organisations to help them in their repatriation and are anxiously awaiting the day when this wish will be realised.

Your side is taking issue with their guerrilla activities and "acquisition of citizenship." But this is not understood by anyone because this is intended to refuse to send them back out of a dishonest political intention.

We once again strongly urge your Red Cross to lend an ear to the honest appeal of all the fellow countrymen and the world and take a measure for their unconditional and early repatriation in the spirit of national reconciliation and unity.

PRC Defence Minister on Sino-Korean Friendship
*SK2610044194 Pyongyang KCNA in English 0431
GMT 26 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 26 (KCNA)—Chi Haotian, state councillor of China and minister of national defence, stressed the need to

strengthen and develop the Sino-Korean friendship when he met a friendship visiting group of the Korean People's Army [KPA] led by General of the KPA O Yong-pang on October 24.

The Chinese defence minister, recalling the days when he went to Korea during the Korean war and fought with the Korean people and soldiers of the People's Army, said that the peoples and armies of the two countries won victory by jointly fighting in the most difficult period.

Noting that many sons and daughters of Korea shed blood in the Chinese land during the anti-Japanese armed struggle, he stressed that the party, the government and the people of China will strive to strengthen and develop this blood-sealed great friendship down through generations, valuing it.

Saying that the Sino-Korean friendship had been personally established and developed by Comrade Kim Il-song together with Comrade Mao Zedong, he stated that when they heard the sad news of the death of Comrade Kim Il-song, the great leader of the Korean people and a close friend of the Chinese people, the entire Chinese people shared painful feelings with the Korean people.

He expressed the belief that the Korean people will carry forward the intention of comrade President Kim Il-song and develop Korea more splendidly under the guidance of Comrade Kim Chong-il.

PRC Goodwill Visiting Group Departs Pyongyang

*SK2310135594 Pyongyang Korean Central
Broadcasting Network in Korean 1300 GMT 19 Oct 94*

[FBIS Translated Text] A goodwill visiting group of the Communist Party of China [CPC] headed by Cheng Weigao, member of the CPC Central Committee and secretary of the Hubei provincial party committee, returned home today by train.

The visiting group was seen off by Chi Chae-yong, deputy director of a department in the Workers' Party of Korea Central Committee, and Qiao Zonghuai, PRC ambassador to our country, at the Pyongyang Railway Station.

DFRF Delegation Meets PRC's Li Ruihuan

*SK2610015394 Pyongyang Korean Central
Broadcasting Network in Korean 1300 GMT 22 Oct 94*

[FBIS Translated Text] Comrade Li Ruihuan, member of the Standing Committee of the Political Bureau of the CPC Central Committee, and chairman of the National Committee of the Chinese People's Political Consultative Conference, met the DPRK delegation of the Democratic Front for the Reunification of the Fatherland [DFRF] Central Committee headed by its Chairman Chong Tu-hwan, on 21 October.

During the meeting, Comrade Li Ruihuan said that the sudden death of President Kim Il-song, who is the great

leader of the Korean people and close friend of the Chinese people, is not only a sorrow for the Korean people but also a great sadness for the Chinese people. He said that even though the president has passed away, the DPRK-PRC friendly relations which he provided and fostered when he was alive with the long time Chinese revolutionaries will continue to develop in the future.

He pointed out that he hopes that under the leadership of Comrade Kim Chong-il, the Korean people will change sadness to strength and continue to successfully implement the intentions expressed by President Kim Il-song when he was alive. He emphasized that the Chinese people support the Korean people's cause to reunify the country according to the three principles of fatherland reunification.

Hong Xuezhi, vice chairman of the National Committee of the Chinese People's Political Consultative Conference, and Chu Chang-chun, DPRK ambassador to the PRC, were on hand.

PRC Journalist Delegation Returns Home 22 Oct

*SK2610014594 Pyongyang Korean Central
Broadcasting Network in Korean 1300 GMT 22 Oct 94*

[FBIS Translated Text] The delegation of the All-China Journalists Association headed by Secretary Xiao Dongsheng returned home by plane on 22 October.

Choe Yong-sam, first vice chairman of the Korean Journalists Union Central Committee, was on hand at the airport to bid farewell to the delegation.

Armed Forces Ministry Hosts CPV Delegates

*SK2610052894 Pyongyang Korean Central
Broadcasting Network in Korean 0100 GMT 26 Oct 94*

[FBIS Translated Text] The Ministry of the People's Armed Forces arranged a banquet yesterday evening at Ongnyugwan on the occasion of the 44th anniversary of the Chinese People's Volunteers' [CPV] participation on the Korean front. Invited to the banquet were PRC ambassador to our country Qiao Zonghuai, staff members of the PRC Embassy, members of the CPV delegation, and Chinese guests staying in our country.

Present at the banquet were Comrade Choe Kwang, member of the Political Bureau of the Central Committee of the Workers' Party of Korea [WPK] and chief of the General Staff of the Korean People's Army [KPA]; Comrade Chang Chol, deputy premier of the State Administration Council; Chi Chae-yong, deputy director of a department of the WPK Central Committee; Cho Kyu-il, vice foreign minister; KPA General Yi Chong-san; Chon Yon-ok, vice chairman of the Committee for Cultural Relations With Foreign Countries and vice chairman of the Korea-China Friendship Association; Sin An-pang, vice chairman of Pyongyang City Administrative and Economic Committee; KPA general officers and officers; and functionaries concerned.

KPA General Yi Chong-san spoke at the banquet.

He said the brave soldiers of the CPV smashed the armed invasion of the combined forces of imperialism, including the U.S. imperialists, displaying a matchless bravery, a self-sacrificing spirit, and a mass heroism while sharing their destiny with soldiers of our People's Army, thus contributing to achieving the great victory in the fatherland liberation war.

General Yi said the CPV's participation on the Korean front, which was an outstanding model of proletarian internationalism, demonstrated the invincibility of the Korea-China friendship forged in blood.

He noted: Firmly rallying around the CPC with esteemed Jiang Zemin as the core, the fraternal Chinese people and officers and men of the PRC People's Liberation Army have today achieved great success in the struggle to achieve stability and unity in the entire country; to build a modernized socialist country with specific Chinese characteristics; and to realize the revolutionization, modernization, and regularization of the Army.

General Yi said: The traditional Korea-China friendship is the invincible friendship personally provided and flourished by the great leader Comrade Kim Il-song, the great leader of the Chinese people Comrade Mao Zedong, and esteemed Comrade Zhou Enlai; strengthening and developing this friendship was the lifetime desire of the fatherly leader and is the invariable stand of our party.

Next, Ambassador Qiao Zonghuai spoke.

He stated: The Korean people treated the CPV as blood brothers and helped them. This precious friendship of internationalism between the CPV and the Korean people will remain forever in the history of Korea-China friendship.

The ambassador added: After victory in the war, the Korean people, under the leadership of President Kim Il-song and the WPK, rapidly healed the wounds of war with their burning energy and iron-like will, and stood dignified in the east like a phoenix.

Saying the party and government of Korea have made consistent efforts to alleviate the situation on the Korean peninsula, to defend security there, and to achieve the independent and peaceful reunification of the fatherland, he referred to the recent announcement in Geneva of the basic agreement between Korea and the United States.

He said the Chinese people rejoice as if all the success achieved by the Korean people on all fronts is their own, and he sincerely wishes the Korean people to consistently achieve new and greater success in their socialist construction and struggle for the independent and peaceful reunification of the country.

The ambassador further said: Consistently strengthening the friendship between the people of the two countries not only accords with the basic interests of the people of the two countries, but is also conducive to defending peace in Asia and the rest of the world. I express the will that the party, government, and people of the PRC will always treasure friendship with the party, government, and people of Korea, and will make all possible efforts to consolidate and develop this friendship under the condition of new history [saeroun yoksa chogon].

The participants toasted the deep-rooted traditional friendship and solidarity between the peoples and armies of the two countries of Korea and the PRC; the eternal life of the great leader Comrade Kim Il-song; a long life in good health for Comrade Kim Chong-il, the supreme commander of the KPA, who is the great leader [widaehan yongdoja] of our party and people; and a long life in good health for party and state leaders of China, including esteemed Comrade Deng Xiaoping and Comrade Jiang Zemin.

KCNA Version of 25 Oct Banquet

SK2610045894 Pyongyang KCNA in English 0450
GMT 26 Oct 94

[FBIS Transcribed Text] Pyongyang, October 26 (KCNA)—The Ministry of the People's Armed Forces gave a banquet on Tuesday [25 October] on the 44th anniversary of the entry of the Chinese People's Volunteers (CPV) into the Korean War.

Invited to the banquet were Chinese Ambassador to Korea Qiao Zonghuai and his embassy officials, the members of the delegation of the CPV and Chinese visitors in Korea.

Choe Kwang, Politburo member of the Central Committee of the Workers' Party of Korea and chief of the General Staff of the Korean People's Army [KPA], and Chang Chol, vice-premier of the Administration Council, and officials concerned were present there.

In his speech, KPA General Yi Chong-san said:

"The fraternal Chinese people formed the CPV with their fine sons and daughters and dispatched them to the Korean War under the banner of 'resisting America and aiding Korea, safeguarding the home and defending the motherland' on October 25, 1950 when the Korean people were fighting a decisive battle against the U.S. imperialists' invasion. The CPV's entry into the Korean War, a fine example of proletarian internationalism, demonstrated the invincibility of the blood-sealed Korea-China friendship.

"Today the fraternal Chinese people and the officers and men of the Chinese People's Liberation Army [CPLA], closely rallied behind the Communist Party of China with respected Comrade Jiang Zemin at the core, are registering great achievements in the efforts to achieve stability and unity throughout the country, build modern

socialism with Chinese characteristics and carry out the revolutionisation, modernisation and regularisation of the army.

"Our people and People's Army officers and men rejoice as over their own over the achievements made by the fraternal Chinese people and the officers and men of the CPLA in socialist construction and defence building.

"The traditional Korea-China friendship is an unbreakable one established and strengthened by the great leader Comrade Kim Il-song and the great leader of the Chinese people Comrade Mao Zedong and respected Comrade Zhou Enlai. To strengthen and develop this friendship is what Comrade Kim Il-song wished in his lifetime and is the invariable position of our party."

Ambassador Qiao Zonghuai said in his speech:

"During the Korean War, the great leader of the Korean people comrade President Kim Il-song and the Korean party, government and people took a meticulous care of the CPV and rendered an active help to it. The valuable internationalist friendship between the CPV and the Korean people will remain long in the history of Sino-Korean friendship."

He sincerely wished the Korean people constant and new, greater achievements in the building of socialism and the struggle for the independent and peaceful reunification of the country under the guidance of their great leader Comrade Kim Chong-il.

"To constantly strengthen friendship between the two peoples conforms with the basic interests of the two peoples and is helpful toward preserving peace in Asia and the world," he said, declaring that the Chinese party, government and people will always value the friendship with the Korean party, government and people and will do all they can to consolidate the friendly relations under the new historic conditions.

Remarks by Japanese Trade Minister Denounced

*SK2610101094 Pyongyang KCNA in English 1001
GMT 26 Oct 94*

["Outburst Defending Blood-Stained History of Aggression"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, October 26 (KCNA)—Japanese Trade Minister Ryutaro Hashimoto in his speech at the Diet Monday whitewashed the war of aggression started by Japanese imperialism in the past, saying "Japan's enemy during the war was not Asian nations," according to a report from Tokyo.

His sophism defending the blood-stained history of aggression is an unbearable insult and unpardonable challenge to the Korean and other Asian peoples who were subjected to immeasurable misfortunes and sufferings during the Japanese imperialists' war of aggression.

It is an undeniable historical fact that the Pacific War started by the Japanese imperialists to be a leader of Asia was a war of aggression during which they invaded many countries in Asia and engaged in merciless plunder and murder wherever they went.

Recently, remarks defending the Pacific War have been made by the Japanese authorities one after another. This proves that Japan's ambition for reinvasion of Asia remains unchanged.

Judging from the fact, we can clearly see that the Japanese authorities' lip service to "reflection" is a trick to cheat home and foreign public, and their ulterior intention is in hiding.

Their ulterior intention is to hasten their nuclear armament and the conversion of Japan into a military power, reinvade Korea and realise their ambition for dominating Asia. This is a foolish dream.

The Japanese authorities must act with discretion and honestly apologize and compensate for the criminal past of aggression, mindful that their effort for revival of militarism and reinvasion will lead to their own destruction.

Russian Delegation Meets With Hwang Chang-yop

*SK2510044894 Pyongyang KCNA in English 0439
GMT 25 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 25 (KCNA)—Hwang Chang-yop, secretary of the Central Committee of the Workers' Party of Korea, Monday [24 October] met and had a friendly conversation with the visiting delegation of the Russian Association for Friendship and Cultural Cooperation With the DPRK led by its Chairman Vladimir Tolstikov.

The head of the delegation said that the unexpected death of the great leader President Kim Il-song is the biggest loss not only for the Korean people but also for the whole humankind.

"Respected President Kim Il-song is widely known among the world people for his feats in the world revolution and the international Communist movement," he noted.

Saying that the revolutionary idea and revolutionary feats of the great President Kim Il-song will be successfully carried forward and accomplished by dear Comrade Kim Chong-il, he stressed that the Korean people under his leadership will surely win victory in socialist construction.

Meets With Pak Song-chol

*SK2510214394 Pyongyang KCNA in English 1512
GMT 25 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 25 (KCNA)—Vice-president Pak Song-chol met and had a

friendly talk with the visiting delegation of the Russian Society for Friendly and Cultural Cooperation with the Democratic People's Republic of Korea headed by its Chairman Vladimir Tolstikov today at the Mansudae Assembly Hall.

The head of the delegation expressed deep condolences once again over the death of the great leader of the Korean people Comrade Kim Il-song and said he would be immortal in the hearts of the progressive people of the world.

The greatest feat performed by Comrade Kim Il-song is that he left another great leader, the head of the delegation said, and went on:

The Korean people are changing the sorrow into great strength and courage and effecting a great upsurge in all fields of the revolution and construction as they are led by dear Comrade Kim Chong-il

Dear Comrade Kim Chong-il is the only successor to the great leader.

He has led the whole affairs of the party, the state and the Army from long ago.

His revolutionary activities are widely known to the world people.

Thanks to his wise leadership, the DPRK-U.S. talks closed successfully. We sincerely congratulate you on this.

We wish the heroic Korean people greater achievements in socialist construction under the guidance of the dear leader Comrade Kim Chong-il.

Vice Premier Hong Meets With German Delegation

*SK2510045694 Pyongyang KCNA in English 0444
GMT 25 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 25 (KCNA)—Vice-premier Hong Song-nam met and had a friendly conversation with the visiting delegation of the Asia-Pacific Business Association of German led by Metelmann Michael at the Mansudae Assembly Hall Monday [24 October].

Present on the occasion was Kim Chong-u, vice-chairman of the State External Economic Affairs Commission.

O Chin-u Sends Greetings to Romanian Minister

*SK2610102494 Pyongyang KCNA in English 1017
GMT 26 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 26 (KCNA)—Marshal of the Korean People's Army O Chin-u, minister of the People's Armed Forces, sent a

message of greetings to Gheorghe Tinca, minister of National Defence of Romania, on the Army Day of Romania.

The message expressed the belief that the friendly relations between the Armies of the two countries would continue to develop on good terms.

Science Delegation Returns From Romania 21 Oct

*SK2610012994 Pyongyang Korean Central
Broadcasting Network in Korean 0100 GMT 22 Oct 94*

[FBIS Translated Text] The DPRK Government science and technology cooperation delegation led by Kim Ung-ho, vice chairman of the State Science and Technology Committee, which participated in the 14th science and technology cooperation subcommittee meeting between the DPRK and Romania in Romania, returned home by plane on 21 October.

Greetings Sent to Chairman of Turkish Party

*SK2210115994 Pyongyang KCNA in English 1054
GMT 22 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 22 (KCNA)—The Central Committee of the Workers' Party of Korea sent a message of greetings on October 20 to Dogu Ferincek [spelling of name as received] upon his reelection as chairman of the Central Committee of the Workers' Party of Turkey.

The message expressed the belief that the excellent friendly and cooperative relations existing between the two parties will further expand and develop in the future and wished him great success in his responsible work to strengthen the party and implement the decisions of the party congress.

40th Anniversary of Algerian Revolution Marked

*SK2610044794 Pyongyang KCNA in English 0440
GMT 26 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 26 (KCNA)—A meeting was held here on October 25 on the occasion of the 40th anniversary of the start of the revolution in Algeria.

Speaking at the meeting, Yun Ki-chong, minister of finance and chairperson of the Korea-Algeria Friendship Association, said that the revolutionaries and people of Algeria held high the torchlight of the armed struggle on November 1, 1954. This was a historical event which brought the dawn of the liberation to the Algerian people who were groaning under the colonial yoke of the imperialists, she noted.

The Algerian people repulsed the aggression forces of imperialism through the arduous armed struggle and have made much effort to remove the aftermath of the colonial rule and develop the national economy, she said, adding: "The Korean people rejoice as over their

own over the achievements made by the Algerian people in the work for the prosperity of the country.

She said:

"Hearing the sad news of the death of the great leader Comrade Kim Il-song, esteemed President Lamine Zeroual sent a message of deep condolence and consolation to the dear leader Comrade Kim Chong-il. We will always remember this and make active efforts to strengthen and develop the friendly and cooperative relations between the two peoples under the banner of independence, peace and friendship".

Algerian Ambassador to Korea Hanafi Oussedik in his speech recalled with deep emotion that the great leaders, President Kim Il-song and President Houari Boumedienne, met in Pyongyang in March 1974, 20 years ago, and confirmed the political will of the two peoples to strengthen the friendly and cooperative relations at a Pyongyang mass meeting.

This excellent meeting today clearly proves once again how solid the relations between the two countries are, he said.

He honored with reverence the memory of President Kim Il-song who devoted his whole life to the wellbeing and prosperity of the Korean people and unity in action of the third world people.

He expressed the belief that the Korean people will change great sorrow into strength and courage and fulfill the behests of the great leader, closely rallied around his excellency Marshal Kim Chong-il, their supreme leader.

A congratulatory letter to the Algerian president was adopted at the meeting.

Paper Marks Anniversary of Zambian Independence

*SK2510103194 Pyongyang KCNA in English 1019
GMT 25 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 25 (KCNA)—MINJU CHOSON today observes the 30th anniversary of the independence day of Zambia.

The author of an article says:

The Zambian people have made active efforts to liquidate the leftovers of the colonial rule in society and build a new Zambia since the independence.

The Government of Zambia is pursuing the policy of non-alignment externally and developing the friendly and cooperative relations with developing countries.

The Korean people warmly congratulate the Zambian people on the independence day and wish them new success in the future work to build a prosperous, new society.

UNDP Representative Hosts UN Day Reception

*SK2510050494 Pyongyang KCNA in English 0455
GMT 25 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 25 (KCNA)—G. Faruq Achikzad [spelling of name as received], resident representative of the United Nations Development Programme [UNDP] in Pyongyang, gave a reception Monday [24 October] on day of the United Nations.

Present there on invitation were Choe Su-hon, vice-minister of foreign affairs, Pak Song-nam, vice-chairman of the State Planning Commission, officials concerned and foreign diplomatic envoys here.

Speeches were exchanged at the reception.

Workers' Party Anniversary Celebrated Abroad

*SK2410214994 Pyongyang KCNA in English 1509
GMT 24 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 24 (KCNA)—Meetings, film shows and other functions were held in different countries including Peru, Zimbabwe, Burkina Faso, Romania, Yugoslavia, Nicaragua, Mozambique, Senegal and Tunisia on the occasion of the 49th birthday of the Workers' Party of Korea [WPK] and in the month of support to the proposal for founding the Democratic Confederal Republic of Koryo [DCRK].

The participants in the functions paid silent tributes to the memory of the great leader President Kim Il-song.

Speaking at a meeting held in Peru, Teresa Cotidiana, president of the Lima metropolitan urban and outskirt inhabitant villages federation, said:

Korean-style socialism is making a long drive, displaying its invincible vitality that no force can destroy, in disregard of the anti-socialist moves of all brands of reactionaries. This is entirely because the dear leader Comrade Kim Chong-il has wisely led the Workers' Party of Korea.

"It is the consistent policy of the WPK and the unanimous desire of the entire Korean people to reunify the country in accordance with the DCRK founding proposal put forward by President Kim Il-song," Teresa Cotidiana noted.

She said, "We believe that the Korean people, under the leadership of Comrade Kim Chong-il, will pull down the concrete wall, a symbol of division, and achieve national reunification, the greatest cherished desire of the nation."

Greetings Sent to WPK CC

*SK2510044494 Pyongyang KCNA in English 0433
GMT 25 Oct 94*

[FBIS Transcribed Text] Pyongyang, October 25 (KCNA)—The Central Committee [CC] of the Workers'

Party of Korea [WPK] received messages of greetings from the Central Committee of the Mozambique Liberation Front Party, the Central Executive Committee of the People's National Congress of Guyana and the Central Committee of the Communist Party of Portugal on the occasion of the 49th anniversary of its foundation.

The messages wish the WPK greater success in the struggle for the wellbeing of the Korean people and express the belief that the relations of friendship and solidarity between the Workers' Party and people of Korea and the parties and people of the afore-said countries will be further consolidated and developed.

More Greetings From Foreign Parties

SK2310085994 Pyongyang KCNA in English 0833
GMT 23 Oct 94

[FBIS Transcribed Text] Pyongyang, October 23 (KCNA)—The Central Committee [CC] of the Workers' Party of Korea [WPK] received messages of greetings from Abdel Hamid Mehri, general secretary of the Central Committee of the Algerian National Liberation Front, the Political Council of the Central Executive Committee of the Russian Party of Communists and the Central Committee of the Communist Party of Kazakhstan on the occasion of the 49th foundation anniversary of the WPK.

The messages extended wholehearted congratulations to the friendly Korean people on the 49th foundation anniversary of the WPK and highly estimated the achievements made by them under the leadership of the WPK.

Wishing the Korean people new success in their struggle for progress and prosperity and the peaceful reunification of the country, the messages expressed the belief that the friendly relations between the WPK and the above-said parties would grow stronger and develop.

Korean People's 'Just Cause' Supported Abroad

SK2410215194 Pyongyang KCNA in English 1515
GMT 24 Oct 94

[FBIS Transcribed Text] Pyongyang, October 24 (KCNA)—The Mozambican president and the chairman of the Workers' Party of Turkey supported the just cause of the Korean people.

Mozambican President Joaquim Alberto Chissano, when he met with the DPRK ambassador to his country on October 19, said: "We are convinced that though President Kim Il-song passed away, the Korean people will dynamically advance and win a greater victory, holding Comrade Kim Chong-il in high esteem."

"We fully support the proposal for the independent and peaceful reunification of Korea and the stand of the Democratic People's Republic of Korea to resolve the nuclear issue on the Korean peninsula through peaceful negotiations," he stated.

When Dogu Ferincek, chairman of the Workers' Party of Turkey, received a delegation of the Workers' Party of Korea on October 14, he said that Korea is playing the role of a castle and fortress of socialism which is decisively fighting against the vicious attack of the imperialists and their moves to stifle her.

He wished the dear leader Comrade Kim Chong-il greater success in leading the struggle for the cause of socialism.

Signature Campaign for Unity Proposal Held Abroad

SK2510214094 Pyongyang KCNA in English 1503
GMT 25 Oct 94

[FBIS Transcribed Text] Pyongyang, October 25 (KCNA)—Signature campaign for supporting the "10-Point Programme of the Great Unity of the Whole Nation for the Reunification of the Country" published by the great leader President Kim Il-song was held in different countries.

In Nicaragua on October 10 the signature paper was signed by the mayor of Managua who is the general secretary of the Constitutional Liberal Party, the mayor of Granada, the mayor of Leon, the general secretary of the Marxist-Leninist People's Action Movement, the general secretary of the Taekwon-do Association, the director of the Training Centre of Trade and business workers of the Central American University, the director of the Motorcar Repair Factory and the director of the Novillo Corporation on behalf of the members of their organisations and organs.

In Italy on October 12 the signature paper was signed by the international secretary of the Italian Communist Re-establishment Party and the director of the Party's Organ "Liberazione" who are members of the party leadership.

In October the signature paper was also signed in Ghana by the deputy general secretary and the director of administration of the National Democratic Congress, member of the Executive Committee of the People's Convention Party Piter Ampinsa, the general secretary of the December 31 Women's Movement, the chairman of the Voluntary People's Alliance and the international secretary of the National Committee of the Youth Organisation, in Togo by the chairman of the Nationalists Union for Labour, the national secretary of the People's Allied Youth, the chairman of the Students Association and Movement Council, the chairman of the Students Union Rally, the chairman of the Association for Defending Democracy, a spokesman for the Independence Association for Free Democratic Elections, the chairman of the Democratic Women's Union and the chairman of the Democratic Youth Forces Association, and in Zimbabwe by the governor of West Mashonaland region and the chairman of the Harare Regional Youth

Union of the African National Union—Patriotic Front on behalf of their organisations and people.

Campaign Gains Global 'Momentum'

SK2210213694 Pyongyang KCNA in English 1507 GMT 22 Oct 94

[FBIS Transcribed Text] Pyongyang, October 22 (KCNA)—The signature campaign for supporting "10-Point Programme of the Great Unity of the Whole Nation for the Reunification of the Country" has been expanded and intensified still further one year and six months after the great leader President Kim Il-song advanced it.

According to data available, brisk signature campaign for supporting this programme has been conducted in more than 160 countries and by regional and international organisations, and 900 million progressive people took part in the campaign.

Heads of party, state and government of many countries expressed full support and solidarity for the 10-Point Programme of the Great Unity of the Whole Nation put forward by President Kim Il-song, recognising it as the most reasonable and fair programme.

The 10-Point Programme of the Great Unity of the Whole Nation was supported by more than 300 heads of party, state and government in messages of greetings and letters addressed to the great leader President Kim Il-song and the dear leader Comrade Kim Chong-il on the first anniversary of its publication. Among them were Fidel Castro, first secretary of the Central Committee of the Communist Party of Cuba, president of the Council of State and president of the Council of Ministers of the Republic of Cuba, Robert G. Mugabe, president of Zimbabwe, France Albert Rene, president of Seychelles, prime ministers of Guinea-Bissau, Equatorial Guinea and Burundi and general secretaries of the Sandinist National Liberation Front of Nicaragua and the New Yugoslav Communist Movement.

The general secretary of the Togolese People's Rally formed an organising committee of the signature campaign for supporting the 10-Point Programme of the Great Unity of the Whole Nation with him as its chairman and, authorized by the Togolese president, signed the signature paper on behalf of the 1.6 million members of the party.

In Ghana, the signature campaign has been waged nationwide.

In India, the participants in the signature campaign for supporting the 10-Point Programme increased from 106,228,000 on April 13 to 250,322,000 at the end of September. In Peru, the signers grew from 2,750,000 on April 20 to 4,179,000 in the middle of September.

750,000 people signed the signature paper in Burundi only in seven days, and later the number increased to two million.

The signature campaign has been widely conducted by more than 50 regional and international organisations.

The secretary general of the Pan-African Youth Movement signed the signature paper in the name of 220 million African youths, the general secretary of the Trade Unions International of Foods Industry, Tobacco, Hotel and Allied Workers in the name of 13 million members and the general secretary of the World Federation of Trade Unions in the name of 100 million members.

The signature campaign for supporting the 10-Point Programme of the Great Unity of the Whole Nation gained momentum worldwide in October, the month of supporting the proposal for founding the Democratic Confederal Republic of Koryo.

Thais Lay Wreath Before Kim Il-song Statue

SK2410051394 Pyongyang KCNA in English 0500 GMT 24 Oct 94

[FBIS Transcribed Text] Pyongyang, October 24 (KCNA)—The Thai friendship visiting group led Bu Vidhya Pattapong [name as received], deputy prosecutor general of the Supreme Prosecutor's Office of Thailand, on a visit to Korea laid a wreath before the statue of the great leader President Kim Il-song on Mansu Hill in Pyongyang on October 23 and observed a moment's silence.

The head of the delegation said that he was deeply moved by the ceaseless visits of many people to the statue of President Kim Il-song.

"Though he passed away, the people are invariably holding their leader in high esteem," he noted, adding: "He will be immortal in the hearts of the people."

Foreign Parties, Units Honor Kim Il-song Death

SK2310085794 Pyongyang KCNA in English 0824 GMT 23 Oct 94

[FBIS Transcribed Text] Pyongyang, October 23 (KCNA)—Maysouck Saysompheng [spelling of name as received], member of the Central Committee of the Lao People's Revolutionary Party and president of the Central Committee of the Lao Front for National Construction, paid a condolence call at the Korean Embassy in Vientiane on October 16 on the hundredth day after the death of the great leader President Kim Il-song.

He laid a bunch of flowers before President Kim Il-song's portrait and observed a moment's silence.

He told the Korean ambassador:

"On behalf of the Laotian party and government and people of all walks of life, I express deep condolences on the death of the great leader Comrade Kim Il-song.

"Although President Kim Il-song passed away, the great exploits performed by him for the Korean and the world

revolution and the history of traditional relations of friendship between our two countries will be immortal in the hearts of our two peoples.

"We believe that the dear leader Comrade Kim Chong-il will successfully carry forward the revolutionary cause of President Kim Il-song and win a greater victory."

Thurmer Gyula [spelling of name as received], chairman of the Hungarian Workers' Party, visited the DPRK Embassy in Budapest on October 16 to honour the memory of President Kim Il-song on the hundredth day after his death.

Memorial services for President Kim Il-song were held on the occasion in Ulaanbaatar and at Unit 0151 of the border garrison of Mongolia.

Works of President Kim Il-song Reported Abroad

SK2610043094 Pyongyang KCNA in English 0422
GMT 26 Oct 94

[FBIS Transcribed Text] Pyongyang, October 26 (KCNA)—The famous work of the great leader President Kim Il-song "10-Point Programme of the Great Unity of the Whole Nation for the Reunification of the Country" was carried by the Zairese paper ETINCELLE, the Russian paper MOLNIA [spelling of newspapers as received], the Nicaraguan paper LA PRENSA and reported by Radio FM 90 of Cambodia.

LA PRENSA said in the preface that the 10-Point Programme indicated the way for reunifying divided Korea into one great country.

ETINCELLE stressed that the 10-Point Programme indicated the general target and ideological foundation of the great unity of the whole nation, the principles and ways of unity and expounds the fundamental questions of overcoming the present difficulties in the way of Korea's reunification with the internal force of the nation and achieving the peace and reunification of the country and the prosperity of the nation.

The Mongolian paper UNEN carried his work "Answers to Questions Raised by the Editor-in-Chief of the GHANA TIMES, Organ of the Government of Ghana".

Greetings Sent to Kim Chong-il From Abroad

SK2510042594 Pyongyang KCNA in English 0418
GMT 25 Oct 94

[Spelling of all names as received]

[FBIS Transcribed Text] Pyongyang, October 25 (KCNA)—Comrade Kim Chong-il, the dear leader of our party and our people, received messages of greetings on the 49th foundation anniversary of the Workers' Party of Korea from Chairman of the Burundi Party of Unity for National Progress Charles Mukasi, Secretary General of the All-African Social Democratic Party Taiyev Sahbani, Secretary General of the Sandinist

National Liberation Front of Nicaragua Daniel Ortega Saavedra, General Secretary of the Movement for Democracy in Algeria Khaled Bensmain, Chairman of the Executive Committee of the Working People's Alliance of Guyana Rupert Roopnarine, National Chairman of the Workers' Party of Zaire Emile Kibala Bey a Nsien, Chairman of the Political Bureau of the Central African People's Liberation Movement Wig Tobogendi and Chairman of the Danish Workers' Party, Common Cause Preben Moller Hansen.

The messages extend warmest congratulations to Comrade Kim Chong-il and wish him a long life in good health.

The messages express firm solidarity with the Workers' Party and people of Korea in their struggle to defend the sovereignty of the nation and reunify the country under the leadership of Comrade Kim Chong-il.

Kim Chong-il's Works Carried by Foreign Papers

SK2210114394 Pyongyang KCNA in English 1030
GMT 22 Oct 94

[FBIS Transcribed Text] Pyongyang, October 22 (KCNA)—The dear leader Comrade Kim Chong-il's famous work "The Workers' Party of Korea Organizes and Guides All the Victories of Our People" was carried by the Burkinabe paper OBSERVATEUR, his work "On the Fundamentals of Revolutionary Party Building" by the Cambodian papers CAMBODIA and PEOPLE, and his work "Our Socialism Centred on the Masses Shall Not Perish" by the Lebanese paper AL-RAYA [spelling of paper as received].

The Burundian paper UBUMWE [spelling of paper as received] carried an article explaining the work "Abuses of Socialism Are Intolerable."

The work comprehensively analyses the reactionary nature and falsity of the anti-socialist campaign of the imperialists with the profound principles of chuche, the paper noted, and said: Today the imperialists slander socialism as of "totalitarian," "barracks-like" and "administrative and commanding." This is part of the ideological and cultural offensive of the imperialists to create an ideological confusion among the people, mislead public opinion and undermine socialism from within.

Seminars on Kim Chong-il's Works Held Abroad

SK2410104494 Pyongyang KCNA in English 1019
GMT 24 Oct 94

[FBIS Transcribed Text] Pyongyang, October 24 (KCNA)—Seminars on "The Workers' Party of Korea [WPK] Organizes and Guides all the Victories of our People," a work of the dear leader Comrade Kim Chong-il, were held at the Nepal Institute for Chuche Studies and by the Indian Society for the Study of Kim Chong-il's Works.

Manik Lal Shrestha, director of the Nepal Institute for Chuche Studies, said that the work theoretically indicates the nature, mission and role of the Workers' Party of Korea and sets forth the position and role of a revolutionary party, thus giving a clear guideline to the communist and workers' parties of the world.

"Today the WPK is displaying its might as the standard-bearer of the international communist movement, adhering to the revolutionary principles and continuing to develop Korean-style socialism under the complicated international situation. This is a result of the efforts of the dear leader Comrade Kim Chong-il who has devoted himself to strengthening and developing the party organizationally and ideologically," he noted.

Govind Narain Srivastava, chairman of the Indian Society for the Study of Kim Chong-il's Works, said that the greatest of the achievements made by the Workers' Party of Korea is that it successfully solved the question of the inheritance of the leadership of the leader who started the revolutionary cause. "His excellency respected Marshal Kim Chong-il, the successor to the great leader Comrade Kim Il-song is an outstanding leader who has both literary and military accomplishments, loyalty and filial piety, and inherited the idea and leadership ability and noble virtues of the great leader," he added.

A seminar on the work "On the Fundamentals of Revolutionary Party Building" was held by the Tanzanian National Coordinating Committee of the Chuche Idea study groups and a seminar on the work "Abuses of Socialism are Intolerable" by the Malagasy Institute for the Study of Chuche-Based Idea on Literature and Art.

Anniversary of Kim Chong-il Work Commemorated

SK2610105894 Pyongyang Korean Central Broadcasting Network in Korean 0230 GMT 26 Oct 94

[Unattributed talk: "Historic Document Which Elucidated the Basic Way for the Socialist, Communist Construction"]

[FBIS Translated Text] Today we are marking the fifth anniversary of the publication of the answer by the great leader [yongdoja] of our party and people Comrade Kim Chong-il to the questions raised by the president of GRANMA, a Cuban newspaper.

In the document published on 26 October 1989, the dear comrade leader threw light upon "The Questions Related to the Party Work, and Socialist Construction," "The Question of the Fatherland's Reunification," and "The Relations Between Korea and Cuba."

In the document, in particular, the dear comrade leader gave scientific explanations to the important, principled questions arising from the revolution and construction at the present moment. In it, once again, he profoundly elucidated the idea that the question to firmly rally the

popular masses around the party and have their revolutionary enthusiasm and creativity displayed to the maximum—in other words, to consolidate the subjects [chuche] of revolution and enhance their role—serve as the basic way for the socialist, communist construction.

This document of the dear comrade leader scientifically elucidated, at a new level, the idea about the basic way which carries principled significance in the socialist, communist construction, thereby serving as the historic document that has provided a powerful theoretical, practical weapon for the triumphant advance and accomplishment of the socialist cause.

The dear leader Comrade Kim Chong-il has indicated [chijokhasiotssumnida]: Our experience clearly shows that the question to consolidate the subjects of revolution and enhance their role serves as the basic way to help successfully push for the socialist, communist construction.

Apart from the work to consolidate the subjects of revolution and enhance their role, we cannot successfully realize the socialist, communist cause.

In the difficult and complicated struggle to effect grand and serious changes in all domains of remaking nature, transforming the society, and remodeling man, the basic key to victory and success is to consolidate the subjects of revolution in every way and extraordinarily enhance their role by firmly rallying the popular masses around the party.

In the document, the dear comrade leader threw light upon the fact that, in leading the socialist construction in the previous period, our party regarded—as its basic work—and consistently accomplished, the question to firmly rally the popular masses around the party and have their revolutionary enthusiasm and creativity displayed to the maximum by giving solid priority to the work of remodeling man.

Under such difficult and complicated environment and conditions in the previous period, our party has been able to triumphantly pioneer—without the slightest deviations, turns and twists—and advance the revolution, with conviction, along the unbeaten path to socialism, communism. This is totally because our party more firmly rallied the popular masses around the party and had their revolutionary enthusiasm and creativity highly displayed.

The question to consolidate the subjects of revolution and enhance their role is the basic way to successful socialist, communist construction. Above all, this is related to the status that the popular masses, who constitute the subjects of revolution, occupy in the revolution and construction.

The popular masses are the masters of revolution and construction and they directly take charge of revolution and construction.

The socialist, communist construction is the historic cause to realize the working popular masses' wishes and demands to extricate themselves from all kinds of exploitation and suppression and to live and develop independently and creatively. This work is pioneered by the demands of the popular masses themselves; it proceeds and wins victory because of their own struggle. Therefore, the masters in the struggle for socialism, communism are the popular masses themselves; and those who directly take charge of the struggle are also the popular masses.

Under the condition in which the revolutionary struggle and the construction work are carried out by each national state as a unit, the masters of socialism, communism are the people themselves of that country. Therefore, when the popular masses in each individual country correctly exercise their rights as masters and fulfill their responsibility as masters, they will be able to smoothly solve all questions arising from the socialist, communist construction in conformity with the wishes, demands, and interests of the people of their own country and with their own responsibility, on the basis of the principle of self-reliance, and with their own strength; and to win victory in the socialist cause.

The popular masses should demonstrate their revolutionary self-consciousness in order to fulfill their responsibility as the master in socialist and communist construction. High revolutionary self-consciousness and zeal of the popular masses is the mighty ideological and spiritual source of creativity and construction. When the popular masses demonstrate their self-consciousness of being the master and revolutionary zeal higher and higher, upsurges and miracles will continue in the difficult and complicated struggle to reform nature and society in conformity with the demands of independence [chajujok yogu], and changes and feats of the century will be created. This is an established truth proven by practical experiences in the socialist construction of our country.

Another reason that strengthening the main force of revolution and enhancing its role is the basic way for socialist and communist construction, is related to the decisive role in revolution and construction played by the popular masses, who are the main force of revolution. There are many factors for successfully carrying out socialist and communist construction. Among them, the decisive role is played by the popular masses. It is the popular masses who reform nature and provide a material and technological basis required by socialist and communist construction, and who reform the social relations in conformity with the essential demands of a communist society.

Nothing can replace the power of the popular masses in revolution and construction. The power and creativity of the popular masses is truly limitless. The process of successfully carrying out socialist and communist construction is a process of enhancing and practically demonstrating the creativity of the popular masses, who are

the masters and the direct party concerned. Even though the power and wisdom of the popular masses is limitless, its demonstration does not come naturally. The power of the popular masses is the power of unity and the wisdom of *chuche*.

Only when the popular masses unite around the party and the leader in one iron-clad ideology and will, and become a solid sociopolitical being and a powerful main force of revolution, can they be mighty and ever-victorious in revolution and construction. This is one of the important reasons that socialist and communist construction can be successfully pushed forward when the main force of revolution is strengthened.

The creativity and wisdom of the popular masses can be thoroughly displayed only under the correct leadership of the party and the leader. When the popular masses raise their consciousness and organize under the leadership of the party and the leader, they will become more powerful and transform the power into greater practical achievements. Our people have been able to demonstrate their might all over the world after they have had the wise leadership of the great leader and the dear leader Comrade Kim Chong-il. All the victories and astonishing miracles achieved by our people in the past revolution and construction are living examples.

The progress of the victorious advance of socialist and communist construction in our country is clear proof that firmly uniting the popular masses around the party, strengthening the main force of revolution by all means, demonstrating their revolutionary zeal and creativity to the maximum, and ceaselessly enhancing the role of the main force of revolution are basic ways to victory and achievements.

As such, in the historic work "Answers to the Questions Raised by the President of the Cuban Newspaper GRANMA," the dear leader Comrade Kim Chong-il gave new scientific explanations on the ideological theory concerning the basic ways that bear principal significance in socialist and communist construction. The profound ideological theory, on which the dear comrade leader gave scientific explanations in his historic work, is a combatant banner that encourages and propels our people and the revolutionary people of the world, who are marching toward socialism and communism, to new struggles and feats.

All functionaries and working people should speed up the implementation of the *chuche* revolutionary cause by highly demonstrating their revolutionary zeal and active creativity in revolution and construction while upholding the leadership of the dear leader Comrade Kim Chong-il.

South Korea

Problems in Establishing North-U.S. Ties Viewed
SK2610085194 Seoul SEOUL SINMUN in Korean
26 Oct 94 p 5

[Article by Yi Kyong-hyong from Washington]

[FBIS Translated Text] The North Korean-U.S. agreement following their negotiations on the nuclear issue stipulates: "The United States and North Korea will pursue complete normalization of political and economic relations ... and will elevate relations between the two countries to the ambassadorial level in accordance with the development in settling matters of mutual concern and interest."

This indicates that they will officially establish diplomatic relations when "matters of mutual concern and interest" are resolved to a certain degree after opening liaison offices.

Of course, North Korean and U.S. liaison offices will be established in Washington and Pyongyang in six months, and North Korea and the United States will establish diplomatic relations some day in the future. However, only after watching the development of the situation will we be able to determine how many months or years it will take for the two countries to establish diplomatic relations after the establishment of liaison offices. It is clear, however, that the concerns about matters of mutual concern and interest must be dissolved.

The agreement expresses matters of concern and interest of both sides, but matters about which North Korea is concerned about the U.S. side cannot be obstacles because North Korea is actively promoting the establishment of diplomatic relations with the United States. Thus, what matters is simply matters on North Korea, about which the United States is concerned.

Since the Bush administration, the United States has mentioned that a precondition for the establishment of U.S.-North Korean diplomatic relation is not only the solution of the nuclear issue, but the suspension of exports of North Korea's missile technology to foreign countries, abandonment of terrorism, improvement of human rights in North Korea, and the return of remains of U.S. soldiers. The Clinton administration has expressed on many occasions its position that these issues must be raised for discussion, without fail, before the establishment of diplomatic relations with North Korea.

Regarding these issues of concern, Robert Gallucci, assistant secretary of state for political and military affairs and chief of the U.S. delegation to the Geneva talks, stressed on 19 October: "Tensions on the Korean peninsula must be eased before normalizing relations between the United States and North Korea, and accordingly, the North Korean military forces deployed intensively at the front line around the truce line should be distributed and redeployed in the rear."

Beside the move of the North Korean military forces from the front line to the rear, he also underlined that other issues must be resolved, such as the production and export of middle-and long-range Nodong missiles and the human rights situation of North Korea.

Assistant Secretary Gallucci's statement reflects that the Clinton administration will raise these issues, without adjustment, as the preconditions for the establishment of U.S.-North Korean diplomatic relations, as the previous Republican administration demanded. What is different from the past is that the current administration seems to be considering a flexible response by changing the expression "preconditions" to the term "matters of concern."

The core of the matters of concern is the move of the North Korean military forces from the front line to the rear. North Korea has intensively deployed over 70 percent of its entire forces between Pyongyang and the truce line since 1990 and has deployed various batteries near the truce line, leaving Seoul and important areas of South Korea within range.

It is not possible to know the exact human rights situation in North Korea because its internal situation is hidden. I think, however, North Korea should report its human rights situation, current measures for improvement, and put them into practice if it wants to establish diplomatic relations with the United States.

Regarding the abandonment of terrorism, it seems that the United States wants North Korea to promise to stop supporting international terrorists, rather than raising past problems, such as the bombing of a Korean Airlines jet.

As shown by the above, the road to the establishment of North Korean-U.S. diplomatic relations is not simple. The dominant view is that a complete solution to the nuclear problem cannot be achieved until after special inspections. Summing up all these circumstances, U.S.-North Korean diplomatic relations cannot be established soon, and there are many problems other than the establishment of liaison offices.

Gallucci on Easing Trade Barriers Against DPRK
SK2610010394 Seoul YONHAP in English 0057 GMT
26 Oct 94

[FBIS Transcribed Text] Washington, Oct. 25 (YONHAP)—The United States would be able to ease trade barriers against North Korea at first through the President's executive authority alone and later go to Congress when the need arose, chief nuclear negotiator Robert Gallucci said Tuesday.

The heavy fuel oil Washington is to ship to Pyongyang within the next three months can be arranged fully by the Department of Energy without new budget appropriations, he said.

"We need, early on probably, to take those steps which we can do via the executive authority of the President," Gallucci said in answer to a question on the Congressional steps required to lower trade barriers against North Korea.

The ambassador-at-large wrapped up a nuclear agreement with North Korea last week which included a gradual lifting of trade restrictions in exchange for a freeze on Pyongyang's nuclear ambitions.

When the two nations' relations reach a point requiring legislative action, the administration will certainly go to the Congress, he said.

The supply of heavy oil, set for 50,000 tons and to be shipped within the coming three months, can be handled by the Department of Energy, said Gallucci. "We do not need new appropriations at this point for this either."

The executive branch began consultations with Congress some time ago, which intensified as negotiations with North Korea reached the stage of agreement, he told reporters.

The Congress will need to get involved if the United States is to pursue any significant further agreement, he said. "That would require an agreement for cooperation with the DPRK (North Korea), and an agreement for cooperation is a treaty and would have to go to the Senate."

The ambassador confirmed that President Bill Clinton had sent a letter to North Korea's de facto leader Kim Chong-il assuring him that Washington will arrange the necessary consortium for two new light-water reactors, also to be given to Pyongyang in exchange for a nuclear freeze.

"...Certainly we expect the South Koreans—as they said they wished to do—to take on the central role or the lion's share of the burden of financing and constructing the light-water reactor project," Gallucci told the briefing. "We expect the Japanese to help in that connection and others under the concept of creating a Korean energy development organization."

On the disposition of North Korea's spent fuel, which when reprocessed produces the core ingredient of a nuclear bomb, Gallucci said talks on that matter will begin in a couple of weeks.

"...I could tell you that I would expect within the next couple of weeks that we will certainly be talking to them (North Korea) about the spent fuel issue," he said.

DPRK, U.S. Interpretations of Accord Differ

*SK2610020894 Seoul THE KOREA TIMES in English
26 Oct 94 p 2*

[FBIS Transcribed Text] Seoul's concern that Pyongyang would attempt to interpret the U.S.-North Korean agreement in Geneva in a different way from the United States and South Korea turned out to be a reality.

"The DPRK will engage in North-South dialogue, as this agreed framework will help create an atmosphere that promotes such a dialogue," reads the agreed framework in Geneva.

A North Korean radio, citing remarks by Kang Sok-chu, chief North Korean delegate to the Geneva talks, claimed that inter-Korean dialogue is not "directly related to the U.S.-North Korea agreement."

Pyongyang claimed that an "atmosphere" for dialogue must first be created before South and North Korea resume talks, which reflects the North's reluctance to resume dialogue with the South.

Meanwhile, officials at the National Unification Board, claiming that Pyongyang attempts to distort agreed facts in Geneva, demanded that the two Koreas unconditionally resume dialogue because the creation of an atmosphere cannot be interpreted as a precondition for dialogue.

They also indicated the possibility that North Korea would intentionally escalate tension on the Korean peninsula in an attempt to avoid inter-Korean dialogue.

U.S. Said Shifting North Accord Expense Burden

*SK2610070094 Seoul KYONGHYANG SINMUN in
Korean 26 Oct 94 p 3*

[Editorial: "The U.S. Attitude of Shifting the Burden of Additional Expenses to the ROK"]

[FBIS Translated Text] The United States is showing an alarming attitude following the adoption of the North Korea-U.S. agreed framework. President Bill Clinton abruptly stated the ROK would be burdened with most of the expenses for providing alternative energy to North Korea, and U.S. Ambassador to the ROK James Laney explained the president's statement was wrong. The United States seems to be urging the ROK to cover the expenses not only for providing alternative energy, but also for disposing of the used fuel rods and destroying the existing nuclear facilities.

Why on earth is the United States showing this attitude? Does it regard the ROK as an international dupe [pong]? Has it decided to show the international community the United States no longer pursues the morality and rationality that it pursued in the past? The North Korea-U.S. agreement is basically an agreement between North Korea and the United States.

The United States repeatedly emphasized that the conclusion of North Korean-U.S. negotiations has placed the ROK and Japan in a safer situation. This is convincing in some aspects. However, the true significance of the North Korea-U.S. agreement lies in the fact that an important obstacle to the extension of the Nuclear Nonproliferation Treaty [NPT] system has been removed. The United States must acknowledge this.

North Korea is a nation of fellow countrymen, though it is true South and North Korea still confront each other after experiencing the tragedy of a fratricidal war. Accordingly, North Korea's nuclear development clearly poses a great threat to us. Nevertheless, it is not strange for us to share

the expense of building light-water reactors since North Korea is undergoing economic difficulties.

What is strange is that only our share is continuously mentioned, while the share allotted to the United States, a party directly concerned, is unknown.

As everyone knows, the North Korean nuclear issue was not an issue between South and North Korea. The characteristic of this issue are well represented by the fact that the United States and the International Atomic Energy Agency [IAEA] made every effort to resolve this issue, that Japan and the PRC reacted sensitively to this issue, and that Russia proposed an international conference on this issue.

In fact, the resolution of the North Korean nuclear issue was a touchstone [sigumsok] of the possibility to extend the NPT system. Many countries that want nuclear nonproliferation will certainly thank the United States for resolving the nuclear issue on behalf of countries that desire the extension of the NPT system. It is natural for these countries to participate in sharing the expenses of the United States, the ROK, and Japan.

The North Korea-U.S. agreement has left something unsatisfied, and it is highly likely more misunderstandings similar to what are mentioned above, as well as further shifts of the expense burden, will occur in the future. It is our government's mission to prevent this. If our government fails to fulfill this mission, it will be criticized for the flimsy results of its emphasis on a cooperative system. For these reasons, we must deeply review the new ROK-U.S. relations at this turning point, as well as the concept of the United States as a friendly nation.

Kim Chong-il's Health Problems 'Very Serious'

SK2610003994 Seoul KBS-1 Radio Network in Korean 0003 GMT 26 Oct 94

[FBIS Translated Text] A government expert on North Korea stated today that it seems the inauguration of the Kim Chong-il regime will be delayed a considerably long time. According to the North Korea expert, Kim Chong-il's health problems are now very serious, and it is difficult for him to make judgments or decisions on important issues and policies concerning North Korea.

The expert also stated that the visit to Paris by O Chin-u, minister of the People's Armed Forces and number two man in the North Korean hierarchy, to receive medical treatment for an illness indicates that Kim Chong-il's inauguration as general secretary of the party and as president will not be accomplished for the time being.

O Chin-u Arrives in Paris To Receive Treatment

SK2510223394 Seoul KBS-1 Radio Network in Korean 2200 GMT 25 Oct 94

[Report by REUTER/YONHAP from Paris]

[FBIS Translated Text] O Chin-u, minister of the People's Armed Forces of North Korea, arrived in Paris on 25 October. Airport officials explained he was visiting for personal reasons to receive treatment for his illness.

He was welcomed at the airport by officials of the general mission of North Korea in Paris. The North Korean officials made no comments on the purpose of his visit.

Political Reasons 'Unlikely'

SK2610014094 Seoul YONHAP in English 0132 GMT 26 Oct 94

[FBIS Transcribed Text] Paris, Oct. 26 (YONHAP)—North Korea's No. 2 man, minister of the people's armed forces O Chin-u, arrived in Paris Tuesday [25 October] afternoon for medical treatment, a diplomatic source here said.

The source said that O, 77, came to France to receive treatment for a lung disease. It is not known what kind of lung disease O is suffering from or where he has been hospitalized.

The French Government apparently allowed O's entry for medical treatment from a humanitarian point of view, and it is unlikely that he came to France for political reasons, the source said.

He also ruled out the possibility that O may have sought political asylum in France, but speculated that the armed forces minister might be pursuing purposes other than medical treatment.

O was a close friend of late North Korean leader Kim Il-song and after his death, O ranked No. 2 in the Workers' (Communist) Party hierarchy after Kim Chong-il, the son and designated heir of Kim Il-song.

Government Raises No Objection

SK2610013794 Seoul KBS-1 Radio Network in Korean 0100 GMT 26 Oct 94

[FBIS Translated Text] A government official confirmed that O Chin-u, minister of the People's Armed Forces of North Korea, arrived in Paris to receive treatment for his lung cancer, and that his visit to France had been very abruptly pursued.

The official said: We were notified last week by the French Government of the fact that North Korea had filed a request for O Chin-u, minister of the People's Armed Forces, to visit France. Our government did not raise any objection to this, considering it within the boundaries of humanitarian concerns.

In the meantime, another government official concerned said: North Korea sent O Chin-u, minister of the People's Armed Forces, to the western world to receive treatment for his illness. This virtually means that they have pushed him from the forefront of power. This is noteworthy in that this it forebodes of a change in

generation within the ruling circles, as well as about the consolidation of Kim Chong-il's power system.

Possible Power 'Reorganization'

SK2610051394 Seoul YONHAP in English 0504 GMT
26 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 26 (YONHAP)—The current trip to France by North Korea's second in charge, O Chin-u, may be a sign that Kim Chong-il, son and heir-apparent of the late President Kim Il-song, is poised to reorganize the country's power structure, a government official said Wednesday [26 October]. O's absence from Pyongyang may allow Kim Chong-il to carry out a generational shift in the North Korean leadership, the official at the National Unification Board (NUB) said.

The minister of the People's Armed Forces arrived in Paris on Wednesday (KST), with the South Korean Government confirming that the French Government had notified it on Oct. 20 that O would be issued an entry visa.

O, 77, was a close friend of Kim Il-song and after his death, O ranked no. 2 in the Workers' (Communist) Party hierarchy behind Kim Chong-il.

Government officials speculated that given O's declining health and advanced age, he may have to stay in Paris for a long time and could lose his grip on the military leadership. A Foreign Ministry spokesman said, "I've heard that O is suffering from lung cancer."

"The fact that O went to Paris for medical treatment seems to indicate that the North Korean medical team did everything they could and there are no means to cure his illness in North Korea," the official said.

Under the North Korean military hierarchy, Choe Kwang, chief of General Staff of the People's Army, will act for O for the time being. It is possible that others besides Choe including O Kuk-yol, a member of the Workers' Party Central Military Commission, will take O Chin-u's place.

Whatever the case, it all depends on the intentions of Kim Chong-il.

As a matter of course, it is also possible that the old guard of the North Korean military, including Yi Ul-sol and Paek Hak-nim, will form a collective leadership, government officials said.

An NUB official said, "We are also thinking about the possibility that Kim Chong-il sent O to Paris in a bid to remove O from the military leadership as well as to reorganize the military according to his own will."

He added that of the three presidium members of the Workers' Party Political Bureau—Kim Il-song, Kim Chong-il and O Chin-u—now only Kim Chong-il is in

Pyongyang, hinting that he may embark on a full-fledged reorganization of the power structure soon.

Former DPRK Officials Residing in Russia Visit

SK2610073994 Seoul YONHAP in English 0727 GMT
26 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 26 (YONHAP)—A number of former senior North Korean officials who fled to Russia after being purged by Kim Il-song arrived in Seoul Wednesday to attend the "Rally for Democratization and Recovery of Human Rights in North Korea" slated for Oct. 28.

The 20 anti-North figures include Ex-Vice Home Minister Kang Sang-ho, 85; the former president of Kim Chaek Military School, Chang Hak-pong; Ex-Vice Culture and Propaganda Minister Chong Sang-chin; and the Former Vice President of Kim Il-song University, Pak Il.

Kang fled to Russia in 1949 due to political suppression by Kim Il-song and currently resides in St. Petersburg. This is his third visit to South Korea since 1989.

The Rally for Democratization and Recovery of Human Rights in North Korea is being held under the joint auspices of "The Save-the-Nation Front for Democratic Unification of the Fatherland" and "The Council for Promotion of Democratization of North Korea" at the Olympic Parktel located south of Seoul.

It will be the second rally after the first such event was held in Washington in October last year.

Japanese, PRC, Russian Interest in North Noted

SK2610100294 Seoul CHOSON ILBO in Korean
26 Oct 94 p 7

[Article by reporter Hong Sok-chun: "Japan, China, and Russia Accelerating To 'Tug in North Korea'"]

[FBIS Translated Text] With the settlement of the nuclear negotiations, North Korea has attracted diplomatic interest, which does not end in improving relations with the United States. Japan is showing indications of starting the work to establish Japanese-DPRK diplomatic relations, and China and Russia are also moving toward North Korea. Such moves are being perceived by our diplomatic antenna. When the Japanese Government heard the news that the U.S.-DPRK nuclear negotiations were settled, it responded immediately, as if to say that they are the next in line. On 18 October Japanese Foreign Affairs Minister Kono Yohei said: "After the U.S.-DPRK agreement, it will be time to resume Japanese-DPRK talks." Thus, he showed a strong will to establish Japanese-DPRK diplomatic relations.

The Japanese-DPRK talks to establish diplomatic relations were ruptured in November 1992 when the identity of Yi Un-hae was confirmed. Yi Un-hae was Kim Hyon-hui's—a terrorist responsible for the bombing of

the Korean Airlines plane in 1983—Japanese instructor. Nevertheless, since then Japan has opened its doors to Pyongyang. On the surface, North Korea seemed to show an indifferent attitude, such as sticking only to the U.S. card. However, it has secretly lusted for the Japanese yen. Nevertheless, even though official talks were ruptured and the North Korean nuclear issue was a hot potato, it was learned that by 23 August Japan and North Korea had held contacts between the diplomatic authorities concerned on five occasions in Beijing.

Japan and North Korea still disagree regarding the issue of Japan's compensation to North Korea. However, experts predict that this will not be a decisive barrier in improving relations between the two sides. They also predict that Japanese Prime Minister Murayama Tomiichi's membership in the Japanese Socialist Party will act as a positive element in the early establishment of diplomatic relations between Japan and North Korea.

Our government is showing a 'dauntless' official attitude by saying: "If improving Japanese-DPRK relations contribute to North Korea's opening up and peace on the Korean peninsula, we will not oppose it." However, inwardly, our government is not very comfortable over this matter. It is clear that our government will try to adjust the time and conditions for establishing Japanese-DPRK diplomatic relations by demanding the complete dissolution of North Korea's nuclear suspicions; consultations in advance among the ROK, the United States, and Japan; and equal compensation by Japan to the ROK and North Korea.

At the stage of implementing the U.S.-DPRK negotiations, our government must assiduously observe how North Korea will use the establishment of Japanese-DPRK diplomatic relations. There are predictions that if the establishment of U.S.-DPRK diplomatic relations reach a deadlock, North Korea may use its Japanese card to promote the establishment of Japanese-DPRK diplomatic relations. It is being viewed that through the Japanese-DPRK approach, Japan hopes it will be able to use the 'North Korean card' in relations with the ROK.

The government approves of the improvement in U.S.-DPRK relations because it is opening the doors between our allies and North Korea. We pretend to be dauntless—if diplomatic power is not concentrated, it may result in our diplomatic sphere being greatly eaten away by North Korea. China and North Korea recently became a step closer to each other. Whenever it has the opportunity, North Korea praises China's socialism and its support toward North Korea. China responds by such remarks: "The friendship between the two countries is sealed in blood." It was even learned that China carried out large-scale military exercises in case North Korea is invaded.

It is being analyzed that Chinese Premier Li Peng's 8 November visit to the ROK will give priority to economics, rather than political friendly relations.

Even though brakes were put on Russia's attempt to sell its light-water reactor to North Korea, Russia is showing much interest in neighboring countries rushing to visit Pyongyang. Such trends surrounding the Korean peninsula is linked with the result of trying to foster North Korea's diplomatic weight compared with its national strength.

Nevertheless, our diplomatic and security team has not even established a viewpoint on North Korea and is only running about in confusion. ROK diplomacy toward North Korea still depends on proxy diplomacy through the United States. It faces a decisive turning point in which it will be inevitable to seek a new and autonomous change.

Finance Minister on Currency, North-South Ties

*SK2610110894 Seoul CHUNGANG ILBO in Korean
26 Oct 94 p 27*

[Interview with Pak Chae-yun, finance minister and former senior presidential secretary of economic affairs, by economic editor Kim Su-kil and written by reporter Min Pyong-kwan at Minister Pak's office in Seoul on 25 October]

[FBIS Translated Excerpt] [passage omitted on the inauguration of the World Trade Organization, the ROK's participation in the OECD, and the adjustment of business areas of financial organizations]

[Kim] The liberalization of capital transactions resulted in more influx of foreign funds. It is now more difficult to make policies on currency, exchange rates, and interest. What is your plan on this?

[Pak] Foreign funds are not only coming in—I plan to increase the outflow of foreign currency to minimize net influx.

I also plan to change currency management to indirect regulation and adjust finances accordingly so that policies on foreign currency, money, and finances will share the burden of the influx. Countries that succeeded during the liberalization period all managed to go into the black. It is a very important matter.

[Kim] How much can our finances share the burden? Taking the example of the Songsu Bridge accident, the government has much to do.

[Pak] Our finances should be more flexible in the future. In the past, a balanced budget was imperative, but now we have surpluses when it is necessary, and we draw up a deficit plan when the situation demands.

[Kim] The issue of North-South economic cooperation seems to have been temporarily neglected due to the Songsu Bridge accident. Some people think economic departments are still alienated from North-South issues by security-related departments. Is it not economic

departments, be it the Finance Ministry or the Economic Planning Board, that should solve the cost of light-water reactors?

[Pak] The departments are in close coordination. After I came to the Finance Ministry, I discovered that many preparations have been made. Although I cannot give you the details, the financial and banking fields are fully prepared for any situation.

With regard to the light-water reactor issue, there has been no decision inside the government yet. This is one of the issues being discussed between economic and security departments. [passage omitted on financial aid to small businesses, tax on excessive growth in the value of land, and improvement of tax policy]

N-S Processing-on-Commission Trade Increasing

*SK2510071894 Seoul MUNHWA ILBO in Korean
25 Oct 94 p 9*

[FBIS Translated Text] It has been learned that despite the decrease in trade between North and South Korea compared to last year due to economic sanctions against North Korea with its nuclear issue, the processing-on-commission trade between the North and the South has increased sharply this year.

According to the statistics released by the Ministry of Trade, Industry, and Energy on 25 October, the trade between the North and the South during the period from January to September this year reached \$151.64 million (Import \$138.77 million and export \$12.87 million), a decrease of 2.4 percent compared to that of last year which reached \$155.37 million.

However, the process-on-commission trade, a trade form in which goods are manufactured in North Korea and shipped to third countries or South Korea, reached \$20.95 million this year which is an increase of about 4.56 times over that of the same period last year when trade reached \$4.58 million.

As a result of this, the ratio of the processing-on-commission trade which occupied only 3.8 percent of the total North-South trade in 1993 increased 13.8 percent this year. This suggests that the form of North-South trade is changing into a form of processing-on-commission.

The processing-on-commission trade has given weight largely to clothing. The processing-on-commission trade volume by September this year by trade firm was: The Lucky-Cold Star Trading Company \$6.29 million, the Samsung Products Company \$4.98 million, and the Daewoo Business Company \$3.83 million.

An official concerned at the Ministry of Trade, Industry, and Energy said: "Through the processing-on-commission trade North Korea can acquire foreign currency and South Korea can use the low-wage labor.

Since it has complementary characteristics, it is highly likely that the processing-on-commission trade will continue to expand in future."

In an effort to revitalize the processing-on-commission trade, the government is actively studying measures not only for allowing South Korean businessmen and technicians to visit North Korea, but also for shipping to North Korea light industry facilities for producing textiles, clothing, and toys.

Businesses Compete in Venturing Into DPRK

*SK2210011094 Seoul THE KOREA TIMES in English
22 Oct 94 p 16*

[By staff reporter Kim Chang-yong]

[FBIS Transcribed Text] Business firms, especially large ones, are moving quickly to counter rivals venturing into North Korea, in the high hope that inter-Korean relations will soon become better with the signing of the Pyongyang-Washington nuclear accord, sources said yesterday.

In preparation for the United States' possible lifting of an embargo against the North which would unleash American bids to enter the new market, they plan to develop their present simple processing trade into deeper cooperation in joint ventures and other alliances.

Their moves are, however, veiled in secrecy apparently indicating they are competing to lay a stepping stone into the North first. The administration's prudent approach has also forced them into silence about their North Korea projects, the sources observed.

"They remain confidential yet competitive," an informed source said. "Business leaders flatly rejected a proposal by one tycoon that they jointly cope with a North Korean requirement they send a huge amount of money in return for reissuance of invitations to Pyongyang in a recent meeting."

Spokesman of some groups even denied local media reports that a North Korean economic agency had asked for 1-4 million dollars each for new invitations. It is the Daewoo Group that is the most aggressive about advancing into the reclusive state.

The number three group is putting vigor back into its previous plans to establish eight factories producing stuffed toys, footwear and garments among other things international western coastal industrial city of Nampo. Three of them are to be dedicated in the near future, according to sources.

The plans, agreed upon during chairman Kim U-chung's visit to Pyongyang in 1991, had been tabled for a couple of months because of the nuclear tension.

Given rapport between the rival governments on the peninsula, Daewoo will push the setup of electronic and auto plants in the North.

Hyundai, the construction and heavy machinery giant, aims high. It wants to participate in the construction of the two 1,000-megawatt nuclear power stations agreed upon in the Geneva talks.

The nation's largest civil engineering contractor involved in massive public works, Hyundai Engineering & Construction Co. and other Hyundai Group subsidiaries have acquired the advanced technology necessary to build nuclear power plants.

The prime contractor for the power plants is likely to be allowed to supply electronic goods and daily necessities produced by sister companies for its engineers and workers, a "priceless" chance for it to acclaim the quality of its products in a hitherto embargoed market, a Hyundai official said.

Hyundai also intends to invest in the development of tourist sites in a far-reaching strategy that would lead to its involvement in infrastructure projects, according to insiders.

Samsung has its eye on electronics, textile, light industry, natural resources, infrastructure and special economic zone projects. During a period of brief reconciliation between Seoul and Pyongyang before, it worked out a blueprint for inter-Korean cooperation in these fields.

If allowed to participate, it will carry out its plans one after another, deeming the six fields the most promising ones for North-South ties, a Samsung source said.

The Ssangyong and Tongyang Groups, both specializing in cement and construction materials, are seeking ways to build cement plants in the North separately in the expectation of a construction and infrastructure expansion boom.

Some chaebols [business groups], however, remain rather cautious as economic ties with the North have been severed drastically overnight by capricious changes in the political theaters of Seoul and Pyongyang before.

The conservative Lucky-Goldstar Group is taking a wait-and-see attitude, just poised to expand processing trading for the time being, a group source said. Last year, it imported 40 million dollars worth of garments processed by North Korean workers with materials which it had sent there.

Sunkyong will also keep focusing on processing trade and not jump into massive and risky projects.

Yet it is closely watching political development in Pyongyang and Washington which will shortly have an effect on inter-Korean relations and spur economic cooperation.

Private economists predict that two-way trade will instantly increase from last year's 200 million dollars to a high 1,000 million dollars once the South establishes a direct channel for trade with the North.

Think Tank Urges Caution When Investing in North

SK2610003094 Seoul THE KOREA TIMES in English
26 Oct 94 p 8

[FBIS Transcribed Text] A government think tank yesterday advised the public and private sectors to keep close tabs on even the slightest move of the North Korean regime to prepare against political risk, seeing that Kim Chong-il's leadership will remain unstable for the time being.

"North Korea is expected to see continued political and economic uncertainty, so (the South) needs to work out measures to cope with the serious danger which this entails for trade and investment with it," the Korea Development Institute [KDI] said in a report presented to the Economic Planning Board yesterday.

Pyongyang is now taking seemingly contradictory policies; positively seeking foreign capital to save its flagging economy while barring the influence of the limited openness from spreading following a Chinese development model.

For one thing, it has so far enacted or rewritten as many as 21 laws and regulations to spur the introduction of Western capital.

In particular, it plans to induce a total of 7 billion dollars alone for the Najing-Sonbong free trade zone where it will go ahead with 23 infrastructure and 68 industrial projects in three phases.

The reclusive state has welcomed participation by South Korean enterprises in the Najin-Sonbong district, being pushed as part of the Tumen River multinational development project.

It is, however, repulsing Seoul's initiatives and trying to have South Korean companies compete with each other and Western rivals to minimize the potential backlash from the market opening, the KDI observed.

"Without economic reform," it warned, "the North's confined open-up steps for Najing-Sonbong will not succeed."

Also two-sided is the trade and industrial policy of the North, according to the report.

The renegade state has unusually eased the government grip in trade, allowing production industries to engage in foreign trade and pursuing diversification of trade items, systems and foreign trading partners.

But it is reinforcing command of production methods with no signs of economic reforms.

One big stumbling block in the North's economy is rising defense spending which is also a headache for the capitalist South.

The communists, designating early in 1994 three years from this year as a "bumper period," have committed

themselves to promoting agriculture, light industry and trade in a bold strategy to put vigor into the economy and the 22 million people.

It allocated 6 percent of its budget for agriculture, 5.4 percent for light industry and 4.1 percent for trade this year, well above the average budget increase rate of 2.4 percent.

Outlay for military buildup accounted for 30 percent of its budget for 1994, according to an estimate by the National Unification Board [NUB]. The NUB, the top agency in charge of inter-Korean affairs, estimated the share of the North's defense of the budget at 27.4 percent last year.

"Non-productive spending takes up still a high portion of the North Korean budget. Besides defense spending, the North poured a huge amount of money in the construction of facilities for the World Youth Festival and political events," the report noted.

Battered by hard currency and energy shortages, the North is now in dire financial straits. Its budget swelled 5-6 percent during the latter half of the 1980s but it has risen only about 2 percent in the 1990s.

Japan's Ruling Party Mission to DPRK Noted

SK2410115394 Seoul YONHAP in English 0957 GMT 24 Oct 94

[FBIS Transcribed Text] Tokyo, Oct. 24 (YONHAP)—The three political parties taking part in the Japanese coalition government agreed on Monday to send their joint delegation to North Korea in an effort to improve Japan-North Korea relations at an early date.

Representatives of the Liberal Democratic Party said it is advisable to improve ties with Pyongyang during the term of Prime Minister Tomiichi Murayama who heads the Japan Socialist Party and to make most of the goodwill relations the Socialist Party maintains with the Workers' Party of North Korea.

Wataru Kubo, chief secretary of the Socialist Party, said his party was already contacting the Workers' Party on the size of a mission and the time of its dispatch.

The decision to send a ruling party mission to North Korea was welcomed by Prime Minister Murayama who said, "It is not desirable to see the existing abnormal Japan-North Korea relations go on."

Japan-North Korea diplomatic normalization talks were suspended in November 1992 over the issue of the identity of Yi Un-hye, presumably a kidnapped Japanese woman who taught Japanese language to North Korean terrorist Kim Hyon-hui in Pyongyang.

Finnish Premier Aho Arrives for Official Visit

SK2610111294 Seoul YONHAP in English 1103 GMT 26 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 26 (YONHAP)—Finnish Prime Minister and Mrs. Esko Aho flew into

Seoul aboard a Korean Air Lines airliner Wednesday afternoon for an official visit at the invitation of Prime Minister Yi Yong-tok.

Premier Aho, accompanied by a 12-member official entourage, was greeted at the Kimpo Airport by Vice Foreign Minister Pak Kon-u and a number of other home and foreign officials.

The Finnish premier is scheduled to have talks with Prime Minister Yi on Friday morning to exchange opinions on wide ranging matters of common interest including the North Korean nuclear issue, Northeast Asia situation and latest international developments.

The two leaders will also discuss ways to further expand bilateral cooperation in the area of economy, in particular trade.

The Yi-Aho meeting will be followed by a courtesy call by Prime Minister Aho on President Kim Yong-sam at Chongwadae [presidential offices].

On Thursday, the Finnish premier will talk with Yi Kon-hui, chairman of the Samsung Group, and observe the Suwon plant of the Samsung Electronics Co. later in the day.

He is the highest Finnish official ever to visit Seoul since the two countries normalized relations in 1973. Foreign Minister Han Sung-chu visited Finland on last Aug. 19-20.

Visit Agenda, Plans Detailed

SK2510114294 Seoul YONHAP in English 1120 GMT 25 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 25 (YONHAP)—Finnish Prime Minister and Mrs. Esko Aho are set to arrive in Seoul Wednesday for a four-day official visit at the invitation of Prime Minister Yi Yong-tok.

During his stay in Seoul through Saturday, Premier Aho is expected to pay a courtesy call on President Kim Yong-sam and have talks with Prime Minister Yi on matters of mutual concern and ways to further promote goodwill bilateral relations.

Prime Minister Aho will be the highest Finnish official ever to visit South Korea since the two countries normalized relations in 1973.

Japanese Ministry Defends Hashimoto's Remarks

SK2610082594 Seoul YONHAP in English 0809 GMT 26 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 26 (YONHAP)—Japan has defended International Trade and Industry Minister Ryutaro Hashimoto's remarks on World War II, saying they do not go against Tokyo's understanding of the conflict, the Foreign Ministry said Wednesday.

The Japanese Foreign Ministry sent an explanation through the South Korean Embassy in Tokyo Tuesday afternoon: "Regarding World War II, Japan's acts of aggression and colonialism at one time in the past caused much sacrifice by its own people and are still a source of great pain for the people of Asia.

"We (Japan) believe we should renew our pledge to pursue non-aggression and strive for permanent peace," the Japanese Ministry was quoted as saying.

"The intent of Minister Hashimoto's comments does not differ from such an understanding," it said.

Hashimoto, a strong candidate to become the next prime minister of Japan, was quoted using words that South Korea understood to mean Tokyo was not the aggressor in the war against Asia.

South Korea was under Japanese colonial rule from 1910 to 1945 until it was freed at the end of World War II.

* Relationship With China Analyzed

942C0217A Seoul TONG-A ILBO in Korean 23-26 Aug 94

[Article in four installments by reporters Kim Cha-su, Kim Sang-yong, and Kim Chung-kun: "Current State of ROK-PRC Ties Two Years After Normalization: Assessment and Prospects"—first paragraph is TONG-A ILBO introduction]

[23 Aug p 3]

Cooperation for Stability in Northeast Asia

[FBIS Translated Text] The coming 24th of August marks the second anniversary of the establishment of diplomatic relations between the ROK and China that ended 40 years of antagonism. Since the normalization, the two countries have expanded exchanges and cooperation in various fields. Economic and personnel exchanges have more than doubled in two years, and the two countries have been closely cooperating for a peaceful settlement of the issue of North Korea's suspected nuclear weapons program. This four-part serial reviews the current relationship between the two countries and examines the outstanding problems which need to be solved in the future.

Cooperation between the ROK and China tends to expand evenly in all fields two years after the normalization of their relations. Particularly, the expanding cooperative relationship is operating as a stabilizing factor in the process of reorganizing the international order in Northeast Asia.

Since the normalization, the heads of the two countries have met on three occasions, a fact symbolizing the increasingly intimate relationship of friendship and cooperation between the two countries. Then President No Tae-u paid an official visit to China in September

1992 shortly after the establishment of diplomatic relations. While attending the Asia-Pacific Economic Cooperation conference in Seattle in November 1993, President Kim Yong-sam held a summit meeting with PRC Head of State Jiang Zemin. President Kim paid an official visit to China this last March for another summit meeting in four months, at which the two leaders agreed to expand the friendship and cooperation between the two countries.

The most noteworthy development in the ROK-China relationship in the past year may be the bilateral coordination in dealing with North Korea's suspected nuclear weapons program. Since North Korea announced its withdrawal from the Treaty on the Nonproliferation of Nuclear Weapons (NPT), North Korea's nuclear potential has become not only an inter-Korean issue but also a problem for the whole world. Our government has approached this issue with the basic stance that it must be settled in a peaceful way. In this process, China has cooperated with us in various ways. When ROK Foreign Minister Han Sung-chu met his Chinese counterpart in Bangkok in April last year for the first time, they discussed the issue of North Korea's nuclear capability. With this as a starting point, the two had a separate meeting in Bangkok last month during the enlarged ASEAN foreign ministers conference. They have met on as many as eight occasions to closely cooperate on this issue.

When the United Nations discussed possible sanctions against North Korea, China took the stand against sanctions. However, China maintains that the issue of North Korea's nuclear capability must be resolved in a peaceful way for the sake of peace and stability on the Korean peninsula and in the interest of the denuclearization of the Korean peninsula. Reportedly, China has tried quietly to persuade North Korea of the urgency of an early settlement of the nuclear issue while at the same time, applying pressures on North Korea. According to our government officials, China is expected to continue to cooperate with our government in settling the nuclear issue until it is settled once and for all.

Exchanges of high-ranking officials between the two countries have been brisk. Chinese Vice Premier Li Fengqing visited Seoul last year, and subsequently several Chinese cabinet members, including the construction minister, electronics industry minister, posts and telecommunications minister, and water resources minister, successively visited our country. From our country, Minister of Trade and Industry Kim Chol-su and other cabinet members have visited China to discuss ways to step up cooperation.

In addition, parliamentary cooperation between the two countries has been in high gear. Former National Assembly Speaker Yi Mn-sop paid an official visit to China last January, and from China Tian Jiyun, vice chairman of the Standing Committee of the National People's Congress, visited Seoul in June last year. With

the expansion of bilateral exchanges, the number of consulates general has been increasing in both countries. The ROK opened a consulate general in Shanghai in September last year, and plans to open another one in Qingdao next month.

Despite the rapid expansion of bilateral cooperation between the two countries in the political field, there are several unsettled problems. First, our government is pressing for the Chinese head of state's state visit to Seoul at sometime this year in return for President Kim's earlier visit to China. However, no agreement has been reached on this issue. When invited last March by President Kim to visit Korea, Chinese Head of State Jiang Zemin replied that he would visit Korea at a convenient time, but no definite date has been set yet. China is showing the stance that the new North Korean regime in the making, following the death of Kim Il-song, should become stabilized. The Chinese Government is said to be cautious about setting the date for Jiang Zemin's state visit to Seoul lest it should upset North Korea.

In view of the fact that many Koreans reside in three Chinese northeastern provinces, namely, Liaoning, Heilongjiang and Jilin Provinces, our government is negotiating with the Chinese Government on a plan to open an ROK consulate general in Shenyang, but no agreement has been reached on this plan.

A considerable number of North Korean escapees are said to be currently residing in China, and this is one of the outstanding issues for which the two governments need to find a solution. Most of these escapees want to settle down in South Korea, but the treaty between North Korea and China on forcible repatriation of runaways stands in the way of realizing their wishes.

From a long-range point of view, what kind of policy China will pursue on the Korean peninsula will be the most important issue. China has diplomatic relations with both North and South Korea and is pursuing an equidistant diplomacy toward them as matter of principle. China is expected to maintain this principle for the time being, but it is not clear what position it will hold on the unification issue on the Korean peninsula. According to some expert analysts, China may not want the unification of North and South Korea in favor of the status quo on the Korean peninsula. That is why it seems necessary for our government to drive home to China, through close bilateral cooperation, that the unification of the Korean peninsula will contribute to stability in Northeast Asia and the development of China itself.

24 Aug p 5]

China Emerges as ROK's Third Largest Trade Partner

[FBIS Translated Text] In the two years since the normalization of ROK-Sino relations, economic cooperation between the two country has made more rapid progress than in other areas.

The scope of trade between the two countries more than doubled to \$9.8 billion in 1993 from \$4,444 million in 1991, the year before the normalization. It is expected to reach \$13 billion by the end of this year.

As a result, China has already emerged as the ROK's third largest trade partner after the United States and Japan. For China, the ROK is its sixth largest trade partner. This is symbolic of the intimacy of the Sino-ROK economic ties.

Particularly in 1992 and 1993, when our economy was in recession, China accounted for 35.4 percent of the total increase in the ROK's foreign trade in this period. Thus we owed much to China in tiding over the recession.

The ROK registered a trade surplus of over \$1.2 billion with China last year, with the total exports to China amounting to \$5,1541 million as against \$3,929 million worth of imports.

ROK exports to China made an explosive 164.7 percent increase in 1992 over the preceding year, and in 1993 the export volume increased by 96 percent over 1992. The ROK Embassy in China estimates that the ROK's trade surplus with China will increase to \$2.4 billion this year.

As of this July, China accounted for 6.7 percent of the ROK's total exports and 5.4 percent of its total imports. This compares with 6.3 percent of exports and 4.7 percent of imports in 1993, indicating that the ROK trade surplus with China is on an increasing trend.

Aside from these official statistics, authorities concerned estimate that exports by peddlers have increased rapidly, amounting to tens of millions of won a year.

The rapid increase in trade between the two countries was due to the fact that their industrial strictures were complementary to each other. While we have been exporting capital- and technology-intensive products to China, China has been exporting primary products and labor-intensive products to our country.

Recently, there has been a slight change in the trade pattern between the two countries as China began to foster high added-value industries such as electronics and electric industries. However, agricultural products and textiles make up the bulk of our imports from China.

Since the normalization, our capital investments in China have also increased rapidly. As of the end of June, the ROK's investments in China reached \$1,332 million, accounting for 14.2 percent of our total investments abroad. China thus ranks at the top among recipients of ROK investments.

The Korea Foreign Trade Association estimates that the actual amount of ROK investments in China will be much higher, considering the fact that in many cases Korean firms invest in China through third parties or invest without license.

Most of the ROK investments in China are small- and medium-scale investments in labor-intensive industries aimed at taking advantage of China's low wage level.

However, the ever-growing Sino-ROK economic cooperation since the normalization has had some undesirable effects along with the positive side as: securing a stable supply of major materials and supplies; promoting industrial restructuring by transferring labor-intensive industries to China; and expanding investment and export opportunities.

Chinese agricultural products, very cheap compared with Korean products, flooded the Korean market, causing a lot of damage to our farmers.

As the competitiveness of Chinese goods increased, China has emerged the ROK's major competitor eating into our overseas markets.

In terms of market shares, China already overtook our country in the European market in 1989, and in the Japanese market in 1990, and in the American market in 1992.

The competition between the two countries began to accelerate as China undertook to modernize its industrial structure.

But many experts attach importance to the positive side despite these negative aspects, on the grounds that China's economic development will lead to the expansion of our export markets in that country geographically adjacent to our border.

With President Kim Yong-sam's visit to China this last March as a momentum, the two countries agreed to cooperate closely in automobile, communications, and other key industries. This indicates that the two countries are in search of ways to bring bilateral economic cooperation onto a higher plateau.

In order for bilateral economic relations between the two countries to continue to develop smoothly, they have yet to solve many outstanding problems.

First, while China is the number one object for our overseas investments, the ROK accounts for a meager 0.8 percent of China's investment market.

Hong Kong, which has invested more than \$8 billion, as well as Taiwan, and Japan, has already acquired commercial supremacy in the special economic zones and coastal cities, leaving little room for us to penetrate into China's domestic markets.

The scope of ROK investments in China is very small, and 82.9 percent of them is concentrated in four north-eastern provinces, namely, Shandong, Liaoning, Jilin, and Heilongjiang Provinces, unable to make inroads into other areas.

Recently, Samsung, Hyundai, and other conglomerates have been pushing ahead with large-scale projects, but in

the eyes of China, they are unwelcome guests, so to speak, because their investments were aimed at taking advantage of cheap Chinese labor.

The fact that various Chinese institutions are not yet completely amenable to the market economy is expected to work as a constraining factor against our effort to make a full-fledged entry into the Chinese market. China imposes high tariffs on imports—108 percent on automobiles and 100 percent on refrigerators and color TV sets, for instance. It is enforcing a strict import permit system on 38 selected items, including automobiles, computers, and chemical fibers.

Frequent policy flip-flops, government interference in business management, back-door arbitrary interpretations of related laws and regulations are also obstacles blocking the expansion of investments.

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Agreement on Direct Air Routes

[FBIS Translated Text] The Sino-ROK ties have rapidly improved not only in the political and economic fields but also in the field of travel and cultural exchanges since diplomatic relations were established between the two countries.

Travel between the two countries has nearly doubled. In 1992, the year their relationship was normalized, slightly over 43,000 persons visited China from Korea, and 45,000 persons visited Korea from China. The total number of visitors between the two countries was 88,000 in that year. The number swelled to more than 152,000 people last year. As of the end of this June, as many as 115,000 people have already traveled between the two countries. The number of Korean travellers to China began to rise sharply since, effective 1 April, our government took China off the list of specific countries for which it is necessary to obtain an advance travel permit to visit.

The initialling of an aviation agreement, with the opening of direct air routes between the two countries as its highlight, is regarded as one of the stimulants for boosting travel. Shortly after the normalization, the Governments of the ROK and China began to push for an aviation agreement to open direct air routes between the two countries, but the move hit a snag meanwhile over the issue of where to turn over each other's air control jurisdictions. However, a tentative agreement was finally reached last month. Originally, the Chinese side demanded that the point of changeover in air control jurisdiction be moved 1 degree east from the present 124 degrees of east longitude to 125 degrees of east longitude, but our government spurned this demand because it meant a curtailment in our air control jurisdiction. As a result, there followed a long, drawn-out tug-of-war. In the end, a tentative aviation agreement has been reached with the provision that the Shanghai line will be used as a corridor between China and Japan,

and that the air control jurisdiction will be turned over from one side to the other at 124 degrees of east longitude.

Under the aviation agreement, direct air routes will be established linking Seoul to Beijing, Tianjin, Shenyang, Qingdao, and Dalian, respectively. When a direct air route opens between Seoul and Beijing, the flying time will be shortened from over three hours to one hour 40 minutes. This will lead to a further increase in the number of Korean tourists visiting China. However, on the Shanghai route, there would be only charter flights as before because the problem of changeover in the air control jurisdiction is yet to be settled. This issue is expected to be settled soon.

Cultural exchanges are also taking place briskly.

When President Kim Yong-sam visited China this March, the two countries signed a cultural cooperation agreement, thereby laying the legal groundwork for full-fledged cultural exchange.

The cultural exchange agreement provides for wide-ranging cooperation not only in the field of culture and arts but also in education, science, mass media, sports, and juvenile affairs. The agreement also provides for promoting exchange of information and experts in connection with the preservation of cultural relics.

The agreement is expected to open the way for Sino-ROK joint excavations and joint preservation of many historical relics of the Koguryo-Palhae [Baohai] era extant in Manchuria.

The ROK and China also signed an environmental cooperation agreement last October to promote cooperation in environmental protection. Under a plan to actively prevent pollution from acid rains caused by pollutants flying into the skies over the Korean peninsula from China, as well as the pollution of the West Sea, the two countries are searching for concrete measures of cooperation. Specifically, they agreed to set up an inter-governmental mechanism to cope with environmental emergencies, and as a priority measure, decided to establish a routine liaison system between the ROK Foreign Ministry and the Chinese State Environment Protection Bureau.

With the legal foundation laid for mutual cooperation in the field of environment, the two countries should undertake the following measures in the future: prevention and control of air pollution; control of water pollution; exchange of waste disposal technology; and exchange of experience in environmental industries.

An urgent problem that needs a speedy solution in a nonpolitical field is that of correcting the errors in Chinese textbooks concerning Korea. In Chinese textbooks some historical facts about Korea are distorted in favor of North Korea. For instance, the Korean war is still recorded in Chinese textbooks as an invasion of North Korea by the South. To correct these distortions,

experts say, not only government-level negotiations but also active exchanges of scholars are needed. Experts point out that our side should make persistent efforts to draw Chinese attention to the distortions of historical facts about Korea through science symposiums, in order to create an atmosphere that will prompt the Chinese Government to make necessary corrections.

Another related problem is how to normalize ROK-Taiwan relations, which have become strained because of the ROK-PRC normalization. In the wake of the ROK-PRC normalization, Taiwan announced the severance of its relations with the ROK, followed by the closing of the direct air routes and the suspension of automobile and fruit trade. After many turns and twists, the ROK and Taiwan set up private-level missions in each other's countries last November. But the questions of reopening direct air routes and resuming automobile exports have yet to be solved.

The ROK established diplomatic relations with China on the principle of one China. But it should exert efforts to strengthen its relations with Taiwan to promote exchanges and cooperation in the economic field.

26 Aug p 4

De Facto Economic Alliance

[FBIS Translated Text] Since the success of its communist revolution in 1949, China has been a blood-tied ally of North Korea. But in the past two years following the establishment of diplomatic relations in 1992, ROK-PRC relations have undergone a radical change.

ROK and Chinese diplomatic sources point out: "In the past China had a political alliance with the northern part of the Korean peninsula, but it now has an economic alliance with the southern part."

In fact, the changing trend in exchanges and bilateral relations between China and each part of the divided Korea is manifested saliently in the field of transportation, including air and sea transportation.

At present, Koryo Air Line's small aircraft fly between Beijing and Pyongyang twice a week. Air China International suspended its flights to North Korea altogether because there were not enough passengers. There is an international railway service between Beijing and Pyongyang four times a week. But only two coaches at the most are used for each run.

When the ROK-PRC aviation agreement goes into effect in or about late October, there will be a total of 48 weekly flights of large passenger planes between Seoul and six Chinese cities, including Beijing and Shanghai. In addition there will be 12 weekly seaborne passenger and cargo services between Pusan and Inchon on the one side and six major Chinese ports on the other.

China is very pleased with the rapid improvement in its relations with the ROK in the two-year period following

the establishment of diplomatic relations, during which the ROK emerged as its sixth largest trade partner. It regards this feat as "the foremost success in diplomacy" since the establishment of the PRC.

However, this satisfaction and assessment on the part of China are limited mainly to investment and technological cooperation. China's assessment on the political, diplomatic, and military aspects is very cautious. Despite the Chinese claim that it strictly maintains an equidistant diplomacy toward North and South Korea, the ROK side feels that China is leaning more toward the North. Initially, China thought that the establishment of diplomatic relations with the ROK would contribute to stability on the Korean peninsula.

But as ROK-PRC relations improved rapidly, China came to notice that North Korea was feeling an extreme sense of alienation and anxiety. When North Korea touched off a nuclear issue by announcing the withdrawal from the NPT last year, China came to be worried that North Korea might scheme to disturb the status quo of stability on the Korean peninsula. For this reason, China took the position of cajoling North Korea while playing the role of North Korea's guardian in the international arena.

With President Kim Yong-sam's China visit last March as momentum, the two countries began to step up bilateral diplomatic coordination on the issue of North Korea's suspected nuclear weapons program, and China switched its past position and began to get directly involved in the international arena when it comes to the Sino-ROK common goal of realizing a nuclear-free Korean peninsula and its stability.

There are ample reasons why China has become so responsive to the changing situation on the Korean peninsula and has shifted its stand and begun to make active efforts for the settlement of the pending issues. Should stability on the Korean peninsula break down, it would raise enormous obstacles to China's modernization program of reform and opening which is in full swing now. To put it in another way, behind the shift in China's stand, there is the perception that stability on the Korean peninsula is in accord with China's national interest.

Since Kim Il-song's death, China has been watching developments in North Korea with profound agony and anxiety. If North Korea—which has lost the center of government with Kim Il-song's death—should collapse all of a sudden, China would have to worry about how to deal with the possible influx of North Koreans streaming into its three northeastern provinces.

In addition, if the arrangement for succession of power in North Korea should run on the rocks and North Korea should try to find a way out of the ensuing internal confusion and power struggle in provoking a war against the South, China would find itself in a real fix because it

would be beyond its power to bring the North Korea-initiated war to an end and the war would result in the resultant self-destruction of North Korea. In this event, China would be shocked to discover that it became directly faced with the capitalist world across the Sino-ROK border. For this reason, China has been making every effort to back up North Korea politically and economically since Kim Il-song's death.

In view of the double-barrelled stance China has maintained toward the Korean peninsula since the establishment of diplomatic relations with the ROK as in the past, some observers think that China may prefer to play the role of a balancer between North and South in the divided Korea, but may not want Korea to be unified. The reasoning behind this view is that if and when the Korean peninsula is reunified, a unified Korea is bound to become another powerful neighbor for China to watch because of historical and geopolitical reasons. However, judging from the current smooth Sino-ROK cooperative relations in various fields, we would say that entertaining this kind of fear is too hasty. However, there is one thing very clear from the standpoint of the ROK, that is, that it is important to forge a mutually helpful relationship with the giant China so that it may become an elephant on whose back we can cross the river, when necessary, not a lion that kicks around the people of Korea with its paws.

PRC 'Excessive Demands' Delay Aviation Talks

SK2510081794 Seoul YONHAP in English 0746 GMT
25 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 25 (YONHAP)—Business talks between South Korean and Chinese Airlines originally slated for Monday have been put off indefinitely due to excessive demands by the Chinese side, airline officials here charged Tuesday.

Officials of Korean Air (KAL) and Asiana Airlines of South Korea were to go to Beijing on Monday to discuss details of the two countries' carriers launching service between such cities as Seoul and Beijing, but the talks were canceled, according to the airlines.

Officials from Air China (CA) visited Seoul on Oct. 13 for a week of discussions with South Korean companies but asked for too much, violating international custom, the Korean officials claimed.

The CA officials then proposed that airlines from both countries determine the total number of passengers every six months: Using a basis of 120 passengers per South Korean flight to 100 for the Chinese, CA said the South Korean side should give the Chinese side 15 percent of the economy-class fare per seat for excess passengers above the 120 mark.

"It went against international custom in the international airline business world," a KAL official said.

The Korean side presented an alternative proposal, under which Korean Airlines would give the Chinese 10 percent per seat for the excess number of passengers if South Korean flights carried more than 130 passengers compared to 100 for Chinese ones.

Adjustment of the proportion had been expected at the Beijing talks, but the Chinese side failed to make any concessions through Monday. "Therefore, we decided not to go to Beijing because it would have been insignificant for us to attend the meeting without any concessions from the Chinese side," the KAL official said.

With the talks' postponement, the start of regular KAL and Asiana service on Korea-China routes is expected to be put off, too. The service was to begin in early November.

What's more, KAL called off plans to stage an event marking its 49th anniversary in Beijing on Nov. 6.

Meanwhile, the South Korean and Chinese Governments plan to sign as scheduled an agreement on civil air transport on Oct. 31, when Chinese Prime Minister Li Peng and Foreign Minister Qian Qichen visit Seoul. The accord will take effect the same day.

Government Plans To Send Relief Rice to Russia

SK2510081694 Seoul YONHAP in English 0620 GMT 25 Oct 94

[FBIS Transcribed Text] Kwangju, Oct. 25 (YONHAP)—Some 300 tons of rice grown in South Cholla Province will be part of a relief shipment sent to the Maritime Province of Siberia, Russia.

The provincial office in Kwangju said Tuesday that the local government had received an order from the Korea-Russia Far East Association, a Seoul-based private organization, requesting the supply of local rice to residents of the Russian province. It plans to send to Pusan port by Nov. 1 a total of 300 tons produced in the region in 1989.

The association purchased the rice from the government with money raised from its campaign to help Siberian residents recently hit by the worst flooding in 70 years.

At present, around 10,000 Korean-Russians live in the Russian province. Of late they have lacked sufficient food, daily necessities and medicine in the wake of the enormous flood that occurred from Sept. 20-28.

In the meantime, the association has conducted a fund-raising campaign at the request of the Russian Embassy in Seoul and the Russian provincial government. The funds raised will be used to purchase such relief goods as rice, blankets and medicine.

The South Cholla government is taking great care to preserve the rice in the course of processing and transportation.

Draft Bill on Oceanographic Surveys Planned

SK2510040694 Seoul KYONGHYANG SINMUN in Korean 25 Oct 94 p 2

[Report by correspondent So Pae-won]

[FBIS Translated Text] Beginning next year, foreigners or international organizations will have to get prior permission/consent from the ROK Government before they make oceanographic scientific surveys in ROK territorial waters; later, they will have to compulsorily present the ROK Government with the data obtained from their surveying activities.

On 24 October, the Cabinet Council passed a vote for a draft bill of the Oceanographic Scientific Survey Law containing this.

In this connection, state-run agencies, research institutes, colleges, and universities that will conduct oceanographic scientific surveys with the funds provided by state or local autonomous administrations will have to compulsorily make the results of their surveys open to the public. As a result, it will be possible for those concerned to jointly use the ocean-related data.

India, Sri Lanka 'Support' Kim as WTO Head

SK2410115594 Seoul YONHAP in English 1026 GMT 24 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 24 (YONHAP)—India and Sri Lanka have thrown support to the candidacy of Trade, Industry and Energy Minister Kim Cholsu for the post of secretary-general of the projected World Trade Organization (WTO), the Foreign Ministry reported Monday.

A Foreign Ministry official said the two countries recently informed the Seoul government of their support of Minister Kim.

Almost all countries in East Asia and Middle East Asia now support Minister Kim, putting him to a slight edge over other candidates, the official said.

Pak Chong-hui's Service Draws 'Largest Crowd'

SK2610081994 Seoul YONHAP in English 0806 GMT 26 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 26 (YONHAP)—A memorial service Wednesday for the late President Pak Chong-hui drew the largest crowd yet of 1,500 people, signaling a change in the military ruler's image.

Former Presidents Choe Kyu-ha, Chon Tu-hwan and No Tae-u all attended the 15th memorial for the first time.

Incumbent President Kim Yong-sam and retired opposition leader Kim Tae-chung sent flowers instead.

Only Pak's second daughter Su-yong came, while his eldest daughter Kun-yong and his only son Chi-man

stayed away, stark reminders of a torn family whose parents both died at the hands of assassins.

The No. 2 man under the late president and current chairman of the ruling camp, Kim Chong-pil, instead of sticking to his pre-written speech, expressed disappointment at those who try to form their present identity by smearing Pak.

"The people of India still keep a portrait of Queen Victoria, who conquered them," he ad-libbed. "That is not because they are thankful but because it is history. Whether good or bad, history cannot be erased."

The attendants responded with loud applause when he said everyone at the ceremony "would know what I am feeling."

More Fallout, Warnings From Bridge Collapse

Business Groups Concerned

*SK2610072994 Seoul YONHAP in English 0558 GMT
26 Oct 94*

[FBIS Transcribed Text] Seoul, Oct. 26 (YONHAP)—Big business groups, already alarmed by the emergence of Han Li-hun as new senior presidential secretary for economic affairs and his negative view toward the concentration of economic power in conglomerates, fear they may be hurt by the collapse of a major Han River bridge last week.

At a meeting of chief planning coordinators of the 30 largest business groups held in the Federation of Korean Industries (FKI) building Tuesday, Fair Trade Commission Chairman O Se-min warned that business corporations violating the fair trade law would face heavier punishment, indicating the government will now deal with law-breakers strictly according to the law.

O said, "as subcontract-related transactions are cited as one of the major causes of defective buildings and structures which recently gave rise to hot social controversy, the commission will conduct intensive checks on subcontract practices to stamp out all unlawful subcontracts." His remarks are in line with the government's move to attribute the Han River bridge accident to defects in the bridge itself, rather than to any failure in repair and maintenance.

The big business groups are concerned that should they be implicated in a large-scale accident, they face a heavy government blow or even major business damage.

Chairman Yi Kon-hui of the Samsung Group, stung by a passenger train derailment attributed to its defective civil engineering project last year, had already told all group-affiliated companies to abide strictly by the rules and take necessary safety and anti-pollution measures before the bridge disaster in Seoul last week.

In addition, he shelved plans to announce the group's restructuring coordination program late last week lest the program invite an unexpected reaction.

Hyundai, Lucky-Goldstar, Daewoo and other groups with construction and civil engineering firms are busy conducting safety checks on buildings and structures they built.

In commenting on the cause of the bridge collapse, officials of these groups are very prudent. They fear that if they attributed the accident to Seoul city's failure to ensure proper repair and maintenance of the bridge, they would invite an immediate reaction charging "then what good did you do?"

But they are of the opinion that government controls on apartment prices and its excessively low cost estimates for state-funded construction projects are partially to blame for defective bridges and apartment buildings. However, they think now is not the right time to speak out.

At Tuesday's meeting, Chairman O urged the 30 largest business groups to ensure that fair trade practices take hold in society.

It appears that the groups will behave carefully in their business activities, while becoming more attentive to government rules and policies, lest they be dealt a heavy blow for unfair and unlawful trade practices.

Firm Offers To Build New Bridge

*SK2610112094 Seoul YONHAP in English 1108 GMT
26 Oct 94*

[FBIS Transcribed Text] Seoul, Oct. 26 (YONHAP)—The Dong Ah Construction Co., the builder of the Songsu Bridge in Seoul which collapsed recently, would build a modern bridge in place of the collapsed one at a cost of its own, Company Chairman Choe Won-sok said Wednesday.

In a press conference, Choe said he estimates a new bridge would cost his company about 150 billion won (approximately 187.5 million U.S. dollars).

"We will build an ultra-modern bridge at about 150 billion won and dedicate it to the state," he said.

In addition, Choe said, his company would donate 10 billion won to the Seoul municipality for use in maintaining the existing bridges across the Han River.

He said he acutely feels morally responsible for the collapse of the bridge his company built.

Stating he would consult with the Seoul city on the construction of a new bridge, Choe said he is considering having a Japanese firm design the bridge to be built.

Seoul on Improvement of Standards

*SK2610011994 Seoul THE KOREA TIMES in English
26 Oct 94 p 1*

[By staff reporter Sa Tong-sok]

[FBIS Transcribed Text] Foreign construction supervisors will be allowed to inspect domestic projects even before the opening of the supervising market scheduled for 1997, the Construction Ministry said yesterday.

In its determined step to strengthen control of construction work in the wake of the Songsu Bridge collapse, the government also plans a special law which will clearly stipulate standards and procedures in construction of public structures such as bridges and tunnels, from the design stage to post-construction management.

A state-run enterprise will be established to exclusively conduct safety checks of public facilities whose safety has become generally suspect due to the bridge disaster on Friday [21 October] which killed at least 32 persons.

Punishment of those involved in jerry-building and sham inspections will be made more severe to prevent the recurrence of tragic accidents arising from shoddy construction.

The comprehensive package of steps was agreed upon in a policy consultation meeting between the government and the ruling Democratic Liberal Party yesterday.

A ministry official said the steps were designed to give top priority to post-construction management of major public structures.

The ministry said large construction projects such as the Seoul-Pusan railway system and new airport on Yongjongdo Island will be first to be subject to foreign supervision.

The domestic construction inspection market started to open to foreign competition this year but the full-blown opening is scheduled for 1997. "It is all but impossible to reschedule the opening program but we are positively considering expanding inspection work to which foreign companies can gain access," a ministry official said.

Currently, foreign inspectors are allowed to check work that is carried out at unreasonably low prices using high-technology not readily available to most local builders, with special approval of the construction minister.

The government and the ruling party will cooperate closely to pass legislation governing the safety of public structures during the ongoing regular session of the National Assembly.

The proposed law will obligate bidders to specify in their maintenance plans the technology, equipment, manpower and yearly expenditures needed to maintain facilities properly, after they are built.

To prevent faulty engineering work stemming from low bids, the law envisages sharply lowering the baseline of projects for which preliminary qualification (PQ) checks are mandatory from the present 10 billion won (12.5 million dollars) to 5.5 billion won (6.8 million dollars).

Supervision will be required at bridge and tunnel projects even when they are scaled at below five billion won (about 6.2 million dollars). For major specific facilities whose post-completion management cost can be determined in advance, sufficient expenditure will be budgeted.

The measures also called for licensing criteria for maintenance and management of facilities.

Specific structures such as bridges will have to undergo periodic safety checks to be conducted by an independent agency. A "Central Safety Inspection Control Team" would be set up at the Prime Minister's Office, according to the package announced by the ministry.

Kim Gives Construction Instructions

SK2210051194 Seoul YONHAP in English 0255 GMT
22 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 22 (YONHAP)—President Kim Yong-sam presented letters of appointment to newly appointed Seoul city Mayor U Myong-kyu and North Kyongsang Province Governor Sim U-yong Saturday morning at his office.

According to presidential spokesman Chu Ton-sik, the chief executive instructed the cabinet and the ruling party to work out regulations against insolvent building companies participating in construction bids and to amend construction-related laws.

Kim also called on this year's National Assembly session to enact regulations which would compel construction firms to manage structures they have built for a certain period of time.

The administration and the ruling party plan to hold a meeting soon to prepare a draft amendment, including the content of Kim's instructions, on construction-related laws.

The president told the new Seoul city mayor to move quickly in dealing with the partial collapse of the Songsu Bridge and to devise safety measures after thorough examination of all bridges and tunnels.

The mayor replied, "The city will form a safety examination team again and carry out tests of all bridges in Seoul and summon the people responsible at the bridge construction company to supplement the deficiency." The mayor added that the capital would enhance the load capability of all bridges and roads so that large vehicles can pass.

"Traffic on the Songsu Bridge will be possible by constructing a connection road," the mayor reported.

Former Presidents Await Prosecution's Ruling

SK2610091094 Seoul YONHAP in English 0815 GMT
26 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 26 (YONHAP)—Former Presidents Chon Tu-hwan and No Tae-u are

taking a wait-and-see attitude toward the prosecution's reported decision on a stay of prosecution for them and others charged with rebellion, although the charge itself is recognized, until the investigation results are announced.

If the prosecution makes a formal decision on the lawsuit brought against the two men for their roles in the Army incident of Dec. 12, 1979, they will not accept it but take appropriate steps of protest, sources close to them said Wednesday.

An aide to Chon said, "Because the reported decision is not the prosecution's official stand, we should wait until the prosecution's announcement of the official investigation results, shouldn't we? But in case the charge of rebellion is officially recognized, we must take appropriate countersteps.

"If the reported decision is true, we cannot but consider that the prosecution has concluded the case in accordance with President Kim Yong-sam's definition in May last year of the incident as 'a military coup d'etat-like incident.'"

Other sources close to both Chon and No said that if the prosecution concludes the case by recognizing the charge of rebellion but withholds prosecution of those involved, the Dec. 12 incident will be officially and objectively taken as a coup d'etat. This is why the two former presidents will not accept such a conclusion.

Another aide said, "It is the due right of the prosecution to decide whether or not to start prosecution in handling a case... If the prosecution recognizes the charge of rebellion in this particular case, it will be the prosecution's discretionary interpretation of the case in all respects. A clearer definition of the Dec. 12 incident should await the court's ruling."

The sources said Chon and No favor prosecution of them and others charged with rebellion in the suit lodged over the Dec. 12 incident so that the court can hand down a final ruling.

As Former President Choe Kyu-ha refused to answer the prosecution's questionnaire regarding his behavior during the Dec. 12 incident because his actions were in accordance with the Constitution and laws, they argued, the arrest of then-Army Chief of Staff and Martial Law Commander Gen. Chong Sung-hwa and other actions were legal. Therefore, the prosecution's reported decision cannot be understood.

Chon and No are considering releasing statements clarifying their position on the matter or making an issue of the prosecution's decision after the official investigation results are announced, they said.

Political Circles 'Upset'

SK2610072194 Seoul YONHAP in English 0626 GMT
26 Oct 94

[FBIS Transcribed Text] Seoul, Oct. 26 (YONHAP)—The country's political circles are responding sensitively

to reports that the prosecution will soon act on the lengthy investigation into the Dec. 12 coup d'etat-like incident in 1979.

In particular, the ruling and opposition parties are both upset by news that the prosecution is moving to stay the indictments of former Presidents Chon Tu-hwan and No Tae-u and refrain from indicting the other "masterminds or participants" in the incident.

Aides to the former presidents are resisting the prosecution move, demanding that the incident be judged in court.

The ruling Democratic Liberal Party (DLP) seems acutely sensitive to the prosecution's move, but has withheld official comment until before the official announcement by the prosecution.

DLP Spokesman Rep. Pak Pom-chin declined to comment, saying there had been no discussion of the matter at a party high postholders' meeting Wednesday [26 October] morning.

Rep. Mun Chung-su, DLP secretary-general, gave a similar reaction but personally indicated his dissatisfaction with the prosecution's apparent attempt to exonerate all persons involved.

In contrast, party floor leader Rep. Yi Han-tong seemed satisfied with the prosecution decision, recalling President Kim Yong-sam's remarks that the incident must be judged by history.

The floor leader heads the DLP faction called "Minjong," formed mostly by followers of the former military governments.

Unlike the Minjong faction's position, the "Minju" faction, which is composed of followers of President Kim during his opposition party days, was somewhat disappointed by the prosecution's actions. It is only satisfied with the prosecution's reported conclusion that the incident was a rebellion under Military Criminal Law.

Other party members like Reps. Ho Hwa-pyong and Pak Chun-pyong, who were close aides to the former presidents and are suspected of participating in the military revolt, refrained from making personal comments, saying they would have more to say after the prosecution's official announcement.

The opposition Democratic Party [DP] resisted instantly, saying "it is unthinkable." The party is moving to take up the prosecution move as a political issue.

"Such a move is like an act giving indulgence to a coup d'etat," party spokesman Rep. Pak Chi-won said. "The people will never forgive it. The president has already termed it a 'coup-like incident.'"

In a statement, the spokesman charged the prosecution is once again looking down upon the people while urging

the immediate indictment of the former presidents and accomplices for thorough investigation.

Other DP lawmakers denounced the government for trying to "swindle" the people when the country is in turmoil over the recent Songsu Bridge collapse and the fire on an excursion ship at Chungju Lake, both of which claimed heavy death tolls.

Rep. Pak Sang-chun insisted that the prosecution's decision is a natural consequence of the incumbent government's "collusion with the former governments' coup forces."

Government To 'Intensively' Support 9 Industries

SK2610005994 Seoul THE KOREA TIMES in English
26 Oct 94 p 8

[By staff reporter Choe Won-sok]

[FBIS Transcribed Text] The government will intensively nurture nine high tech industries so that they will become world-class ones by the year 2005.

The nine sectors are semiconductors, textiles and daily home appliances, cars, electronics and information devices, optical fibers, biology and precision chemicals, new materials, mechatronics and aircraft.

Specifically, the semiconductor, and textile and home appliance industries will be made the third largest in the world by 2005, the car industry the fourth largest and the electronics and information, optical fiber and biological and precision chemical industries the fifth largest.

The new material and mechatronics industries will be developed as the world's seventh largest and the aircraft industry as the 10th largest.

To carry out the mammoth project efficiently, the government will close down or merge state-invested research institutes and expand various financial and tax incentives on investment in technological development.

The rules of the World Trade Organization (WTO) which will go into operation next year supplanting the General Agreement on Tariffs and Trade (GATT) permit government subsidies only for investment in technological development.

The government will set up a large scale optical industrial complex near to the metropolitan city area to give car makers a common supply of some 30 key automotive parts.

Among other steps under study is the establishment of a financing company to support sales of automobiles and an automation facility leasing company.

The government decided to develop the nine high tech industrial sectors as world-class ones after the High Tech Industry Committee recommended their intensive development in its interim report recently submitted to the Ministry of Trade, Industry and Energy.

In July, the government resolved to suggest a development vision for high tech industries by the end of this year at the latest.

Based on the vision, the government will map out a wide range of steps by March next year to carry out the grand project.

In its report titled "High Tech Industry Vision 21," the committee called for the establishment of an automation facility leasing company jointly by the Korea Development Bank, the Industrial Bank of Korea and manufacturing firms to develop the mechatronics industry.

As for the development of the aircraft industry, the committee recommended the merger of the two state-invested aerospace research institutes and the establishment of an aerospace business promotion team.

The committee also called upon the government to minimize the size of air flight restriction areas and open military air bases to help develop small-size aircraft and helicopters.

Touching on the automobile industry which is being restructured throughout the world, the committee said that automakers will become sub-contractors unless they enhance cost efficiency, differentiate products and explore new markets.

Quoting an analysis by world auto experts, it said that only six car makers are sure of surviving in the year 2000. They are General Motors and Ford Motor of the United States, Toyota, Honda and Nissan of Japan, and Volkswagen of Germany.

For the continuing development of the domestic automobile industry, the committee said that a total of 29,000 billion won should be invested by 2000. The amount breaks down to 18 billion won for facilities and 11 billion won for technological development.

It insisted that the government should encourage automakers to jointly use parts and set up a financing company to aid sales of cars.

Businesses Asked To Observe Fair Trade Rules

SK2610001594 Seoul THE KOREA HERALD in English
26 Oct 94 p 8

[FBIS Transcribed Text] The government plans to bring the private business circles to set up an organization aimed at promoting voluntary efforts toward observance of fair competition rules, O Se-min, chairman of the Fair Trade Commission (FTC) said yesterday.

The organization, tentatively named the Korea Fair Competition Association (KFCA), will be inaugurated next month under the initiative of the Korea Chamber of Commerce and Industry, O said in a keynote speech before chief planners from the nation's 30 largest conglomerates.

The association will be responsible for educating private firms on rules for fair competition, publication and dissemination of data on fair competition, research on business practices in advanced countries and accommodation of views of private businessmen, O disclosed to the meeting held at the Federation of Korean Industries (FKI) building on Yoido.

The FTC chairman also revealed that the government plans to hammer out what he called a compliance program, which is similar to a code of ethics where a firm pledges its best efforts to voluntarily comply with the law on fair trade.

"It is basically a declaration which an entrepreneur makes to affirm his and his employees' commitment to fair trade. By adopting such a code, a firm can improve its image and keep its employees from resorting to unfair trade practices," O explained.

In his speech, O outlined to the chief planners of the top 30 chaebol groups follow-up measures that he will take to implement the new Monopoly Regulation and Fair Trade Act. A revision bill to the act is expected to come up in the National Assembly soon.

While emphasizing the need for business firms to voluntarily follow the rules and norms of fair trade, O said that firms which do not do so will be liable to stern punishment.

"First of all, those who rig prices or bidding will be made subject to fines up to 5 percent of their annual revenues," O said. Presently, the maximum fine is 1 percent of a violator's turnover.

Penalties will also be reinforced against those who abuse their monopolistic positions by not just rigging prices but controlling supply to the market or interfering with the business activities of other firms.

O said that the government will beef up investigations into illegal internal transactions among subsidiaries of big business groups. Investigations will be expanded from the 30 top business groups to include others which are not on the list but have many affiliates.

The FTC chairman also stressed the need to adapt the domestic fair trade system to the international standard to avoid unnecessary pressure with trading partners.

Noting that advanced countries are moving to begin a new international round of talks on standardization of competition policy, O said the FTC will relax regulations on the screening of international contracts and on such sale-promoting activities as offering gifts.

Burma

Article Examines ASEAN 'Engagement' Policy

BK2310131294 Bangkok THE SUNDAY POST in English 23 Oct 94 p 18

[Article by Han Yawnghwe, programme director of Association to Develop Democratic Burma and editor of Burma Alert: "Engaging the Generals"]

[FBIS Transcribed Text] Many arguments have been advanced in recent months for a more "constructive engagement" with the ruling State Law and Order Restoration Council (SLORC) in Rangoon.

Proponents argue that renewing official development assistance, promoting more foreign investment and even encouraging non-governmental organisations (NGOs) to provide humanitarian assistance will bring about much needed change in Burma. They maintain that "isolating" SLORC has not worked. Instead, supporters of this theory advocate more foreign investment and aid to bring about economic development which, they say, will in turn bring about social and political change. Those who promote engagement imply that Burmese democracy advocates are too impatient, unrealistic and want an immediate transfer of power—full Western style democracy and an instant utopia.

In contrast, the "constructive engagement" option is presented as a rational approach, taking into account existing realities and working to bring about change in a controlled fashion.

The urgent need for economic, social and political reform in Burma is not an issue. Both proponents of "constructive engagement" and its critics agree on this point. The disagreement centres on how to bring about this change.

What is the best way to bring about change in Burma and what will work? To answer these questions, the assumptions behind the "constructive engagement" position are examined and steps toward possible change are identified.

Has "Isolation" Worked?

Foreign aid to SLORC was suspended by most governments to protest against the brutal suppression of unarmed civilians in 1988. As admitted by "constructive" advocates, these governments have offered little more than moral support to Burma's pro-democracy activists and have not actually imposed any economic embargoes (Thant Myint-u, FAR EASTERN ECONOMIC REVIEW, March 10, 1994). Is it true, then, that Western and Japanese governments instituted a policy of isolation that could be effective in bringing about SLORC's collapse.

Before judging the effectiveness of the policy, it is necessary to be clear on the expectations of the West and

Japan. The question to ask is "What results did the government anticipate from suspending aid and what did they achieve?"

Aid was suspended as a protest and to induce SLORC to introduce reforms. It can be legitimately claimed that without the suspension of aid and the accompanying international outrage over 1988 and subsequent events, SLORC would not have held the 1990 general elections nor would it have allowed foreign observers to monitor the polling on election day.

The fact that SLORC did not honour the results does not detract from this achievement. In addition, it can be claimed that the "open door" economy that is now being exploited by Burma's neighbours would not have come about without the aid suspension.

The Association of Southeast Asian Nations (ASEAN) and especially Thailand, claim credit for SLORC's reforms such as the National Convention, ceasefire negotiations with ethnic groups, SLORC's charm offensive to win over critics and expatriate Burmese, as well as allowing US Congressman Bill Richardson to meet detained democracy leader and Nobel Peace Prize laureate Aung San Suu Kyi.

The successes, however, can be more readily credited to the so-called "isolationist" governments. This is because the "constructive engagement" advocates made no demands on SLORC and it is generally agreed that SLORC made those concessions only to relieve both domestic and international pressure.

Rather than having failed, Western and Japanese government policy has been quite successful. The fact that most of the reforms or changes are superficial does not negate the fact that the so-called "isolationists" did bring about some measure of change on the part of the regime. If these governments had accepted the arguments of the Burmese pro-democracy activists and enacted embargoes and sanctions, they would in all likelihood have hastened the process of change in Burma.

Will Aid Bring Change?

Ever if the suspension of aid did achieve a measure of success, is there any merit in the argument that more aid and foreign investment could bring about change faster?

Although "constructive engagement" advocates admit that, to date, the reforms introduced by SLORC have not been embraced to promote development, but to stave off further unrest (FAR EASTERN ECONOMIC REVIEW, March 10, 1994), they would also suggest that the limited reforms have in fact stimulated economic growth.

After all, as TIME reported in its February 28 issue, the Burmese economy grew by 10.8 per cent in 1992-93. If this is true, could not the momentum from such growth be used to bring about change?

Only those unfamiliar with the system introduced in Burma by the regime since 1962 would lend credibility

to this growth figure. Serious analysts have always treated Burmese statistics with great scepticism. A good example of just how questionable "official" statistics might be is in SLORC's manipulation of the figures depicting Burma's literacy rate.

In 1987, government statistics showed Burma's literacy rate to be so low that the United Nations granted Burma a least developed country status. This status allows Burma to be forgiven some of its foreign debt. It was conveniently forgotten that less than a decade ago Burma won a United Nations Children's Fund (Unicef) award for having one of the highest levels of literacy in the world.

When looking at economic growth therefore, a more indicative rate for 1992-93 might be surmised from those of the three previous years 1989-90, 3.7 per cent; 1990-91, 2.7 per cent; and 1991-92, 1.3 per cent (UNDP Country Report, 1993).

The caveat about Burmese statistics aside, some would question how anyone can deny that economic life in Rangoon, Mandalay and other urban centres has changed noticeably.

New Japanese cars can be seen everywhere. Modern buildings and luxury hotels are mushrooming even in smaller border towns. Are these not signs of new-found prosperity? Will the emerging middle class not eventually bring about change?

It is true that a segment of the Burmese population is benefiting from SLORC's reforms. But the question to ask is: Are the signs of economic activity indicative of real economic development or rather of excessive consumption?

The lack of confidence in SLORC's economic policies is evident in the increasing demand for gold, precious stones and real estate. Even a photograph published in the April 27 issue of ASIaweek depicting people "benefiting from the junta's economic reforms" shows a mountain of kyat notes, illustrating the runaway inflation gripping Burma and worthlessness of the local currency.

Since 1988, the money supply has increased at an annual rate of 53 per cent (FEER, January 14, 1993) and the rate of inflation is more than 150 per cent, based on black market prices. While the official exchange rate is 6 kyat to US\$1, the black market rate is 120 to the \$1.

According to a Japanese "constructive" advocate, democracy will come to Burma when its per capita income reaches \$1,500 (Yochi Masuxoe, *Analytica Magazine*, No. 2, January 1994). At the black market rate, the annual per capita income is only \$10, that means Burma would not qualify for democracy for a long time to come.

In addition to these signs of increasing economic distress, the situation worsens outside major population

centres. Rural infrastructure is almost non-existent. All roads and railway lines are in extreme disrepair.

Forced relocation of villages for security reasons, conscription into the army, as soldiers, army porters or beasts of burden and conscription as slave labour to build new rail lines and roads, have seriously disrupted the social fabric of life in rural Burma.

More and more "economic" refugees are fleeing to neighbouring countries. This does not fit the picture of a country growing at 10 per cent a year.

These inconvenient facts bode ill for "constructive" advocates who see the Burmese economy as growing, and want more aid and investment to hasten development.

In 32 years of uninterrupted military rule, Burma's economy, its civil service, its social infrastructure, its public health and education systems have all been manipulated and destroyed. There is nothing left on which to build. More aid and investment will only entrench SLORC, widen the gaps between urban and rural dwellers and the haves and the have-nots, and worsen the crisis.

A similar effort to revitalise the economy without introducing major reforms was attempted by the military in the mid-1970s. The World Bank, the Asian Development Bank, Japan and other nations increased foreign aid to at least half a billion dollars.

Then as now, the reforms were superficial and the aid was absorbed by the 56 state enterprises and the corrupt system until, by the mid-1980s, Burma was again facing an economic crisis and became a least developed country, one of the poorest of the poor.

The question, therefore, is not whether foreign investment and aid will make a difference, but whether or not there is a will to introduce real reforms. This view is reinforced by recent United Nations Development Programme (UNDP) and World Bank reports, and the fact the SLORC's "open door" economy hailed by "constructive" advocates is not really open.

Twenty-three key basic commodities such as rice, teak, oil, gems, minerals and fish, are still controlled by the state. Joint ventures by foreign investors are mostly with state enterprises rather than with the private sector.

More importantly, nine military owned-and-managed joint ventures dominate key sectors of the economy, the largest being the Myanmar [Burma] Economic Holdings Company, which is managed by the Ministry of Defence ("Carrots for the SLORC to Promote Democracy in Burma?" Unpublished paper by Dr Mya Maung of Boston College).

Such realities clearly indicate that more aid and foreign investment will not make a difference if SLORC does not introduce fundamental economic reforms.

The Thai Approach

If the international community is unwilling to enact embargoes and take more decisive measures to bring about real changes in Burma and, if increased foreign aid and investments will not bring about fundamental changes either, what options are available?

Will the status quo remain? Can SLORC continue along its own path to democratisation at its own pace? Thailand, a number of Burma's other neighbours and some commercial interests have decided that SLORC is capable of remaining in power for the foreseeable future.

This "pragmatic" approach is not concerned about long-term implications, political stability, basic economic fundamentals, or economic development in Burma. The only criterion it answers to is can a profit be made now?

This approach could be perhaps justified for small time entrepreneurs who have no long-term aspirations. But for nations and Burma's neighbours to adopt such a policy is foolish and downright dangerous.

To quote Surachat Bamrungsuk, a Thai scholar: "Arguments concerning the basic problems of Thai-Burmese relations are irresolvable because of the different assumptions about the future of SLORC and political change in Burma.

"However, regardless of the points argued, a more important issue is whether Thai foreign policy makers have provided themselves with sufficient options for the future.

"Conducting foreign policy without leaving one's options open is very hazardous. The risks are compounded in a situation where the potential for rapid change is present." ("Constructive or Destructive Engagement?" Unpublished paper by Surachat Bamrungsuk, Chulalongkon University)

The real potential for rapid change in Burma can be seen from the events of 1988—the six months of unrest that paralysed the then military-backed Burmese Socialist Programme Party government. These events are well-known to the world.

In 1988 the Burmese democracy movement was reborn. What is less well-known is the cause of the unexpected turmoil, a student brawl seemingly turned into a nationwide revolt.

As described earlier, expectations were raised in the mid-1970s. A new constitution was adopted, a "civilian" government came to power, the economy was "opened" up, and foreign aid and investments were welcomed. But then as now no fundamental changes were implemented.

The "civilians" in the government were army officers who left their uniforms at home. The "open" economy was still controlled by the state. As a result, inflation

soared, the price of rice and other commodities rocketed as the value of the kyat dropped, and the demand for consumer goods increased.

Pressure mounted until violence erupted in the country in 1988. The same symptoms exist today and are being compounded by the presence of numerous prosperous Chinese traders from across the border and from overseas.

Resentment of Chinese domination, dormant for some time, is again on the rise. A serious backlash in the form of anti-Chinese riots, as in 1967, could easily develop as the gap widens between the masses and the SLORC elite.

Given these conditions, the Thai approach may not be as "pragmatic" as it seemed initially. Those wishing to gain economic benefits from Burma by befriending SLORC may well lose their investment in the end.

Engaging the Generals

How then can political change be brought to Burma before it is too late? Must Burma go through another convulsion of violence before the international community will act? What can be done to ensure that change comes to Burma in a more-or-less controlled fashion?

A major flaw in the argument of the "constructive engagement" advocates and Thai policy makers has been their misconception of the nature of the Burmese military and of SLORC in particular.

It is wrongly assumed that the Burmese generals would like to enjoy the benefits of economic development like their Southeast Asian counterparts. The generals in Burma do enjoy economic perks but their agenda is basically political, not economic, as in some ASEAN countries.

Therefore, they will make economic concessions to achieve economic aims rather than make political concessions to achieve economic aims. This has to be understood to engage the generals in an effective manner.

Events in the last six years have shown that SLORC is not equipped to deal with the major problems Burma is facing. Notwithstanding the mass rallies which are staged by the Union Solidarity and Development Association (an organisation formed by SLORC and headed by five military cabinet ministers), there is no doubt that SLORC lacks the support of the populace.

In spite of strict controls, delegates to the National Convention continue to protest against SLORC's pro-military constitution. The people also continue to resist by seizing every opportunity to turn everyday incidents into major civic disturbances, although these events go unreported in the international press.

On the civil war front, while fighting has stopped to accommodate ceasefire talks with ethnic armies, SLORC troops are still tied down in spite of the army's increased

force of 300,000 men. SLORC is a beleaguered invading army in its own country, safe only within its armed enclaves.

The international component of the Burmese democratic movement, although weakened by recent events, has also been able to maintain its own momentum. In other words, SLORC is fighting a rearguard action for its political survival. It cannot advance and it cannot be defeated, as yet.

What then can be done? As seen, accepting the status quo and doing nothing is not a viable action. For SLORC to continue ruling, it must be able to contain the economic crisis and hope that some minor incident does not spark a violent outburst as in 1988.

The military must also be able to retain its cohesion after General Ne Win dies and, at the same time, SLORC must move to prevent the ethnic groups from continuing their solidarity with the pro-democracy movement. All these necessary conditions are fraught with danger and risk.

The only really viable option for Burma is to solve both its political and economic problems together. The "constructive engagement" approach is not viable because it does not address the political question and gives only an economic solution which may at best be a stop-gap measure.

As aptly put by Singapore Prime Minister Goh Chok Tong: "Economics and politics cannot be separated. There must be a competent government to create the right conditions for economic growth and the government must be able to mobilise the people to work with a common vision." (NEW LIGHT OF MYANMAR, March 31, 1994).

Where is the competent government to create the right conditions for economic growth, a government that can mobilise the people to work together with a common vision? It is definitely not the military.

The leadership of the military was clearly rejected by the people in 1988. Just as decisively, the people, including the rank and file of the military, made their choice for a government known in the 1990 general elections—the tremendously popular National League for Democracy and by implication, its detained leader, Aung San Suu Kyi.

What made the party's victory special was not only that the NLD won more than 80 per cent of the parliamentary seats, but that the election results were endorsed by the ethnic armies fighting SLORC.

For the first time in 46 years, there is now a de facto popular national leader who may be able to give the people of Burma the "common vision" that has been so lacking.

If anyone is serious about helping to bring real change to Burma, they cannot ignore the role of Aung San Suu Kyi. Least of all, SLORC cannot afford to continue to ignore

her. If the SLORC generals want to survive and prevent a repeat of 1988, they have no option but to talk to her. She has the legitimacy that SLORC can never obtain and only she can rally the people of Burma toward a common goal.

If SLORC does not recognise or accept her leadership role in Burma, the days of SLORC rule are numbered and the future of Burma will indeed be bleak.

Cambodia

Foreign Minister Resigns; Assails Coalition

BK2510123494 Hong Kong AFP in English 1207 GMT 25 Oct 94

[By Bill Harris and Reach Sambath]

[FBIS Transcribed Text] Phnom Penh, Oct 25 (AFP)—Foreign Minister Prince Norodom Sirivut on Tuesday became the fourth minister to leave Cambodia's cabinet in five days, angrily taking a swipe at other members of the governing coalition for disruptive and divisive behaviour.

"A minister has two choices: whether to keep quiet to show solidarity or leave. Now it's time to leave," Prince Sirivut told AFP after he handed in his resignation to first co-premier Prince Norodom Ranariddh. He will be replaced by Education Minister Ing Huot.

Sirivut, leader of the royalist FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia] party, said he was resigning chief because the government continually ignored the wishes of King Sihanouk on issues of national unity such as the detention of nine Thais after a coup attempt in July.

Relations with the other co-premier, Hun Sen, a former communist, were another core problem, he said.

"I have problems with Hun Sen, we are on different platforms, we are completely different both personally and politically," he said, adding that he believed Hun Sen did not respect the king.

Diplomatic sources agreed that the resignation was largely a protest over the ouster of Prince Sirivut's close confidant, Sam Rangsi, from the post of finance minister in a cabinet reshuffle last Thursday.

"I don't understand why they sacked the best finance minister, who was doing a great job," the prince said.

Asked whether he and Sam Rangsi would form a new political party of their own Prince Sirivut replied: "I am still loyal to the FUNCINPEC party and I will continue to work with the party as an MP."

Sam Rangsi was sacked in a secret parliamentary vote, along with Commerce Minister Va Huot and Agriculture Minister Kong Sam-Ol.

Widely respected for his courageous embrace of the free market, Sam Rangsi is believed to have alienated fellow FUNCINPEC members, as well as members of the Cambodian People's Party (CPP), the main coalition partner, because of his maverick views.

He was replaced by Keat Chhon, vice chairman of the Council for the Development of Cambodia.

Observers said Prince Sirivut's resignation amounted to a criticism of Prince Ranariddh, who has been criticised within FUNCINPEC for making too many concessions to the CPP.

After last Thursday's reshuffle, the CPP—despite losing to FUNCINPEC in last year's elections—controls the key government ministries of commerce, finance, defence and the interior.

Education Minister Ing Huot confirmed that he had accepted Prince Ranariddh's offer of the foreign affairs portfolio.

"I can confirm I have been offered the position as foreign minister but we have to wait a few days for a formal announcement," Ing Huot told AFP.

Prince Sirivut said he was satisfied with the new appointment.

"I am very happy that Ing Huot will replace me as Cambodia must be proud of its new foreign minister," he said.

US Ambassador Charles Twining praised the new choice for foreign minister.

"I respect him highly, he was an excellent education minister. I think that he's got a good grasp of world issues and he's a strong individual," Twining said.

A government official said King Sihanouk will release a sub-decree to appoint Ung Huot as foreign minister "very soon," he said.

A Western diplomat said he believed that Prince Ranariddh and Prince Sirivut would travel to Beijing to meet King Sihanouk in the next few days.

The diplomat, however, did not know exactly what would be discussed.

Reshuffle To Bring 'Unity, Cohesion'

BK2610071294 Phnom Penh REAKSMEI
KAMPUCHEA in Cambodian 26 Oct 94 p 2

["Statement of the Cabinet of Prince Krompreah Norodom Ranariddh, first prime minister of the Kingdom of Cambodia"]

[FBIS Translated Text] The cabinet of Prince Krompreah takes the liberty of trying to make all beloved compatriots clearly understand that the proposed reshuffle of the Royal Government is intended to

bring about the successful and highly effective execution of Cambodia's development program.

During the first year of the Royal Government, our national reconstruction efforts—among other things, national reconciliation, political stabilization and democracy, the smooth transfer from a planned economy to a free-market economy, and rural development—made steady progress that was remarkable to both national and international opinion. This was the result of efforts made through many difficulties by the Royal Government, National Assembly, and compatriots from all social strata, united as a single body under the august and enlightened aegis of His Majesty Norodom Sihanouk Varaman, our venerated king and symbol of peace in our nation. This is also the fruition of the assistance given to us by the United Nations, friendly countries throughout the world, and various international organizations.

Therefore, during the past year, although we must admit that there still was an imbalance between the quality and quantity of the work done, the efforts of the Royal Government and National Assembly, both born out of the great sense of patriotism of our Cambodian people, have produced positive results and great successes as far as the safety and happy lives of our Cambodian people are concerned. The first year's mandate of the Royal Government certainly saw the feats of our ministers who braved myriad obstacles to national reconciliation and achieved many praise-worthy development successes in various sectors.

The second year of the Royal Government's mandate will be the second step of national development that calls for new strategies and means to establish close and smooth cooperation, harmony, cohesion, unity, and a strong resolve to strengthen the bond and internal activities of the Royal Government on the basis of Articles 14 and 32 of the law on the organization and functioning of the Cabinet. For this reason, compatriots are asked to be understanding toward the Royal Government and National Assembly as they make every effort to reorganize the cabinet so that it becomes better synchronized and can muster all its combined resources to quickly and smoothly advance the national reconstruction work.

Concerning the few ministerial changes in the government, Prince Krompreah's cabinet would like to inform compatriots that the objective of our effort to promote national development through the rehabilitation of the economy and infrastructure concentrates mainly on attracting foreign investment to our kingdom in accordance with the Investment Law recently passed by the National Assembly.

Our Investment Law is a very liberal law capable of attracting many investors throughout the world. The main purpose of this law is to increase employment opportunities for the people and improve the livelihood and rural development as part of the drive to raise the people's living standard. In the short time since the

promulgation of the Investment Law, the volume of investment has reached a level worth nearly half a billion dollars, and soon a number of other major projects will be signed that will bring in millions of dollars more. Based on this data, the Royal Government will become much stronger and more efficient.

To bring about harmony among the three main departments, namely the Ministry of Economy and Finance; the Ministry of Trade; and the Cambodian Development Council, or CDC, one of the most important institutions whose main role is to promote investment, the Royal Government deems it necessary to reshuffle the cabinet, especially the area concerning the three departments, so that we have only a single, well synchronized system to promote investment in our kingdom. This means that the Cambodian Development Council needs close cooperation. It is for this reason that the responsible officials in the development council must be given a new role in the financial sector for them to vigorously promote investment.

Besides, since the majority of our people has a very low living standard because of the protracted state of war, the Royal Government needs to upgrade the Rural Development Secretariat to become the Ministry of Rural Development in order to enable the people to become rich before the state does and to move toward improving various other fields to bring about prosperity and stability.

At the same time, the sectors of tourism, culture, and environment must also be upgraded to now become:

- The Ministry of Tourism, because it can attract tourists and provide employment of various types to people.
- The Ministry of Culture, for rehabilitating and promoting Cambodia's fine traditions and culture that have been impaired and damaged by years of war and also by foreign influences.
- The Ministry of Environment Protection whose major role is to support the livelihood of our people, including their daily life and business activities in a sustainable manner.

Consequently, the ideal outlined in the speech by Prince Krompreah Norodom Ranariddh, first prime minister, when he pointed out that the main objective of the Royal Government is to advance the national community with positive results and stability will materialize only if the leadership of all departments and ministries in the Royal Government have goodwill and strong unity to correctly carry out the development tasks in accordance with the platforms described in our Constitution and the initiatives of the Royal Government.

In this context, the current cabinet reshuffle was made not because of any personality problems. It was

prompted as part of a general policy aimed at bringing about a very cordial unity and cohesion among the relevant ministries.

Fortified by the above reasons, Prince Krompreah's cabinet strongly hopes and firmly believes that all compatriots will pass correct judgment through a high sense of patriotism and with a steady confidence in the Royal Government's effort to conjure up solidarity based on a strong sense of responsibility to the destiny of the motherland, in the cause of national defense and reconstruction, and with a determination to build a prosperous motherland under the aegis of our august king, Cambodia's highly venerated father of national reconciliation and father of national independence.

Phnom Penh, 22 October 1994

Khmer Rouge Radio Comments

BK2610062894 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 24 Oct 94

[Unattributed commentary: "Communist Vietnam Is Openly Purging All High-Ranking FUNCINPEC Members and Inserting Out-and-Out Communist Vietnamese Puppets Into Major Positions"]

[FBIS Translated Text] Recently, communist Vietnam ordered Hun Sen and Sar Kheng to remove a number of high ranking FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia] officials from their posts, including Mr. Sam Rangsi, and to insert a number of out-and-out communist Vietnamese puppets and their sycophants known for their insatiable craving for money and status into all important positions.

This is the start of a campaign to openly purge all high ranking FUNCINPEC members so that the communist Vietnamese puppets can take 100 per cent control of Phnom Penh as well.

Last July communist Vietnam staged a farcical coup d'etat to purge a number of FUNCINPEC officials and other opponents. And immediately after the UNTAC [UN Transitional Authority in Cambodia] elections, communist Vietnam and its puppets also fundamentally crushed all lower ranking FUNCINPEC members to enable communist Vietnam to maintain 100 percent control in the countryside.

Now communist Vietnam and its puppets are purging high ranking FUNCINPEC members to give the communist Vietnamese puppets 100 percent control of both the countryside and the cities. In so doing, communist Vietnam is aiming to remove every obstacle to their fascist, dictatorial, and genocidal policy against Cambodia, especially the fascist policy of conscripting troops and militiamen with which to continue their war against the Cambodian nation and people.

However, most observers believe that this fascist and dictatorial measure of communist Vietnam is being conducted at a time when the two-headed government is making an unstoppable headlong plunge into political, military, economic, and all other sectors. Therefore, this fascist and dictatorial measure is nothing but a last-ditch struggle in their death throes.

Khmer Rouge Base Overrun; No Details on Hostages

BK2510160494 Hong Kong AFP in English 1544 GMT 25 Oct 94

[By Bill Harris]

[FBIS Transcribed Text] Phnom Penh, Oct 25 (AFP)—Government troops overran a mountain stronghold where Khmer Rouge guerrillas had been holding three westerners, seized in a train ambush three months ago, the Cambodian defence minister told AFP in Phnom Penh late Tuesday.

"Our troops took over all of Phnum Voar today," Co-Defence Minister Tea Chamrat said, referring to Khmer Rouge commander Pet's base in southwestern Kampot province.

"Commander Pet escaped from Phnum Voar. We are looking for the three hostages, but I don't know where they are now," he said. "We are trying to find out."

Several hours earlier, a top army officer leading operations close to Phnum Voar told AFP that Commander Pet and most of his men were still on the mountain and the government was still not in complete control of the area.

The officer, General Prum Savoeurn, added he believed that Pet had split up his forces and moved to different locations because of government advances.

General Prum Savoeurn, who is in charge of government operations on the western side of the Phnum Voar (Vine Mountain) range, said he estimated Commander Pet to have some 200 fighters under his control.

"Pet now has 70 fighters with him, the other men have split into smaller groups," the general said.

He added that 13 of Pet's men had defected Monday night but had given no news on the three foreign hostages—Frenchman Jean-Michel Braquet, 27, Briton Mark Slater, 28, and Australian David Wilson, 29. They were seized on July 26 when the Khmer Rouge ambushed a train in Kampot, killing 13 people.

The incident—the second taking of western hostages this year—triggered widespread dismay in Cambodia, causing the government to lay siege to Pet's encampment with 3,000 troops, cutting off supplies and sporadically shelling it. The tactic succeeded in encouraging 160 Khmer Rouge fighters to defect before the attack, described by Tea Chamrat, was launched.

The most senior defector, Chhouk Rin, who crossed over into government lines on October 15, said last week he had been responsible for carrying out the train ambush. He said he took the three to Phnum Voar, a rain-drenched, malarial area 18 kilometers (11.2 miles) long and eight kms (five miles) deep, but only held on to them for a day.

He was then ordered to hand the hostages over to his boss, Commander Pet, who saw in them a potential source for ransom. Pet quickly issued a ransom demand for 150,000 dollars in gold.

However, the situation was further complicated when the Khmer Rouge leadership intervened, demanding that the government lift its ban on the rebel group and that western powers cease all military aid to Phnom Penh.

The most recent report, garnered from a defector last week, said the three hostages were alive but thin. But that sighting was itself a month old, and there has been no concrete information about the hostages for several weeks.

The train ambush came only three months after the Khmer Rouge captured—and later slew—two young British travellers and an Australian, also in southern Cambodia.

The incidents have cast light on the continuing problems facing the Phnom Penh government in asserting its control in a country where the ultra-left guerrillas still hold sway over about a fifth of the territory.

In the light of repeated failures to eradicate the Khmer Rouge militarily, the government has resorted to legal means, and pressure on foreign governments, to outlaw the Khmer Rouge and have their assets seized.

Earlier this month, senior officials sketched a blueprint for beefing up safety on the country's often-precarious highways and tourist areas, including the deployment of a 500-member elite police force, trained by France, around the famous Angkor temple complex.

The Maoist-inspired Khmer Rouge is blamed for the death of about a million Cambodians in a 1975-79 reign of terror that was ended by the Vietnamese invasion of Cambodia.

KR Radio Says Attack on Phnum Voar Routed

BK2510133094 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 25 Oct 94

[FBIS Translated Text] 1. From 19 to 23 October, the two-headed government gathered its troops and launched a four-pronged attack in the Phnum Voar area. The first prong started out from Rong Veng toward Trapeang Kda dike; the second from Dang Tong toward Kaoh Angkanh dike; the third from Thnal Thmei toward

Trapeang Chheu Khloem reservoir; and the fourth from Phnum Toch toward Chungruk and Phnum Koki Dek hill.

2. The army, guerrillas, and the people fought from 19 to 23 October and killed 17 enemy soldiers on the battlefield, wounding 25 others. Fleeing troops stepped on poisoned stakes, fell into punji stake pits and traps, and stepped on all sorts of mines we had laid. Another 13 enemy soldiers were killed and 18 others wounded.

In sum, we killed 30 enemy troops and wounded 43 with all sorts of weapons. The remaining invading troops fled back to Phnum Toch hill; 230 of these troops fled the battlefield for home.

3. The army, guerrillas, and people on the Kampot battlefield have successfully implemented the guerrilla and people's war in attacking and smashing the two-headed invading forces. However, it is realized that the overt and covert civilian administration of the two-headed government is still at the throat of the people day and night. It is this two-headed civilian administration that does espionage work and coordinates with their invading forces to launch attacks from outside.

Therefore the army and the guerrillas, in cooperation with the people, should completely destroy and sweep away the two-headed civilian administration to cut off the root of the two-headed government and its invading forces.

'Serious Illness' Keeps Sihanouk in Beijing

BK2610030194 Phnom Penh National Radio of Cambodia Network in Cambodian 0200 GMT 26 Oct 94

[“Message to compatriots” from King Norodom Sihanouk, issued in Beijing; date not given—recorded]

[FBIS Translated Text] I would like to pay my greatest homage to the two supreme patriarchs, to Venerable Samdech Khouananda, Venerable Samdech Pouthiveang, and Venerable Samdech Mongkolteppeacha, and to all superior monks of the Buddhist clergy, all provincial head monks, all abbots, and all Buddhist monks in our kingdom. Dear compatriots, 31 October will be my 72d birthday; 9 November the 41st independence day of our nation; and 17, 18, and 19 November the traditional boat regatta and full moon ceremony of our nation. On these three national festivals, I am honored to send to all venerated monks and beloved compatriots my most profound and warm greetings and my love, respect, affection, and loyalty. At the same time, every morning in my residence in Beijing, I never fail to pray in front of the image of Lord Buddha, our most venerated teacher, and the pictures of our late kings and queens, begging that our country, nation, and people succeed in rediscovering peace within national reconciliation and reunification. Only with peace can all kinds of problems be resolved and Cambodia saved with independence, territorial integrity, prosperity, and happiness.

My serious illness has separated me from you, beloved compatriots. I am very worried because I have to live so far away from my respected and beloved subjects. During the final week of November, my consort Queen Norodom Monineath Sihanouk will come to Cambodia to pay a visit on my behalf to my dear compatriots to show them once again that my thoughts always remain with them to the end of my life.

May the triple jewels of Buddhism shower on all of you, respected and beloved compatriots, the blessings of a long life, social status, happiness, good health, and enlightenment.

Khmer Rouge Reportedly Change Fighting Tactics

BK2610073894 Phnom Penh REAKSMEI KAMPUCHEA in Cambodian 24-25 Oct 94 p 5

[FBIS Translated Text] Sources in Siem Reap Province say that in the third week of October Khmer Rouge rebels changed their tactics from attacking people's villages and communes to robbing foodstuffs and property, to abducting able-bodied men to serve in the war, and arresting village and commune officials in an attempt to intimidate and hinder the development process.

It has been reported that the above incidents took place successively in a large number of districts in Siem Reap Province. In fact, on 21 October Khmer Rouge rebels infiltrated Koul Commune in Angkor Chum District and abducted five village heads and a deputy head; their fate is unknown.

On 19 October Khmer Rouge rebels also abducted a village head and a teacher in Varin District. On the same day authorities in Angkor Chum District reported that the heads of Bok Lhong and Kouk Yeang villages and a village deputy head in Don Peng Commune were also taken away by Khmer Rouge rebels.

It is recalled that on 17-18 October a total of 45 persons were abducted by Khmer Rouge rebels from Angkor Chum, Siem Reap, and Sot Nikom Districts to work in the rebels' army. These persons are village and commune officials and teachers and are fully able men. Among the 45 victims, four escaped while being transported to the rebel base.

According to an analyst, the incident is a shield for the Khmer Rouge rebels to use to intimidate a number of people and local officials in remote areas. It is also a new type of psychological warfare used by the rebels to hinder our society's development process. A number of Khmer Rouge troops have now left the battlefield and successively joined the government in many areas. This is the weak point of the rebels preventing them from launching large-scale battlefield attacks. The attacks on villages to rob foodstuffs also face increasingly serious obstacles. Therefore, the rebels' strategy is just to make a lot of noise about its activities.

Official on Number of Weapons in Phnom Penh

*BK2610091694 Phnom Penh REAKSMEI
KAMPUCHEA in Cambodian 26 Oct 94 pp 1, 5*

[FBIS Summary] According to Khov Meng-hean, deputy mayor of Phnom Penh City, a recent survey shows there are 890,000 firearms in the city, as opposed to an earlier figure of 600,000 to 700,000. Thus, there are nearly 900,000 people with weapons, excluding those who have not yet been covered by the survey. The survey will be completed by the end of October, and around one million weapons are expected to be discovered. Khov Meng-hean said that of this number only 8,670 weapons have legitimate papers.

Commenting on the measures to deal with this problem, the deputy mayor said that, first, the weapons that have been surveyed will be seized. Later, the city will coordinate with the Ministries of National Defense and Interior and National Security to search homes known to possess weapons. Another measure is to eliminate the weapons market at Toek Thla where cases of arms and explosives are sold. He said previous operations against the market was only 10-20 percent successful due to information provided by insiders to weapons dealers.

Banteay Meanchey Faces Possible Rice Shortage

*BK2610094094 Phnom Penh REAKSMEI
KAMPUCHEA in Cambodian 26 Oct 94 p 4*

[FBIS Summary] A Banteay Meanchey Province agricultural official says the province is concerned about next year's food supply for the population. According to a survey, the province could be short of 7,000 tons of paddy or between 4,000 and 5,000 tons of rice.

According to the official, the main reasons for the shortage are as follows: tens of thousands of hectares of land have been abandoned or damaged by floods. Only about half of the 20,000 hectares of rice have been planted due to successive rainfall from March to May that prevented tractors from plowing the land. Farmland in the southern and western parts of the province, such as Say Saman, Ta Tung Krau, and Ta Tung Knong areas, the area north of Svay Chek, Thmar Puok, and Banteay Ampil, have been abandoned due to the insecurity as a result of Khmer Rouge attacks, ambushes, and mines, forcing tens of thousands of people to become war refugees. Furthermore, floods from Thailand and from the dam in Bavel, coming from Pailin, also damaged nearly 7,500 hectares of young rice plants. Thus, only 96,500 hectares of rice could be harvested.

Laos

President's Speech at Jakarta Banquet Reported

*BK2510124094 Vientiane KPL in English 0911 GMT
25 Oct 94*

[FBIS Transcribed Text] Vientiane, October 25 (KPL)—Here is the full text of the speech by H.E. Mr. Nouhak

Phoumsavan, president of the Lao PDR [Lao People's Democratic Republic] at the state banquet hosted by H.E. Mr. Suharto, president of the Republic of Indonesia, at Istana Merdeka Palace on October 18, 1994:

Your Excellency the President and Madame Tien Suharto, distinguished ladies and gentlemen,

It is with great pleasure for my wife and myself to pay a state visit to the Republic of Indonesia. We are impressed and would like to express sincere thanks to Your Excellency the President, to Madame Tien Suharto, to the Government of Indonesia and the population of Jakarta for the friendly, warm and honourable hospitality. My special thanks also go to Your Excellency the President and Madame Tien Suharto for hosting this banquet in honour of us and for the fine words and meaningful speech concerning the relations of friendship between our two countries. Let me take on this occasion to convey the salutations of the Lao Government and people to Your Excellency the President, to Madame Tien Suharto, to the government and to the entire Indonesian people.

Excellencies, ladies and gentlemen,

Laos and Indonesia are neighbouring countries which share several similarities. The Lao and Indonesian peoples used to suffer the same destiny of being colonized by foreign countries and used to help each other in their just struggle for national independence and freedom. We have the tradition of developing mutual understanding, mutual confidence and cooperation on the basis of reciprocal interest. We can confirm with satisfaction that our two peoples have a long tradition of solidarity and friendship.

I am convinced that the successful outcome of the meetings and exchange of views between Your Excellency the President and myself and between the high-ranking officials of the two sides as well as the agreements signed on the occasion of the present state visit will contribute to the strengthening of the relations of friendship and cooperation between our two countries and to make it more efficient. This doesn't only meet the aspiration of the people of our two countries, but it also contributes to the consolidation of the strength of the non-aligned movement and to promote peace, stability, friendship, cooperation and development in our south-east Asian region.

Your Excellency the President,

As a neighbouring country, we have always followed closely the process of the national construction carried out by the Indonesian people. We noticed with satisfaction that under the efficient leadership of Your Excellency the President, this thousands-islands archipelago which is rich in natural resources and has an invaluable culture, has been unceasingly developed. From an underdeveloped country which was suffering from shortage of rice in the past, the Republic of Indonesia has, today, a

surplus in rice production and is in the process of becoming a newly developed country and which succeeded in combining modernism and the indigenous traditional culture. The Indonesian people are having a better and better life and are coexisting in solidarity and concord on the principles of one nation and one language. The world community highly values the activities carried out by Indonesia within the non-aligned movement, and particularly the remarkable action of Indonesia in the title of the president of the movement as well as its constructive and consequent participation in searching for solution to major problems in the world and in the region as well. Indonesia's active movement in the political field becomes an evidence with its participation in the preparation of the forthcoming APEC [Asia Pacific Economic Cooperation] conference which is to take place in Indonesia next month.

Excellencies, ladies and gentlemen,

Soon after being completely independent in 1975, the Lao government and people deployed tremendous effort in rehabilitating its country which suffered important damages due to over 30 years of war and so far we have gained preliminary success in developing our nation. Since 1986, our government implement the restructuring policy by mobilizing all the forces within the country to take part in this process of development and by encouraging all economic sectors to participate in the production and in doing business according to market oriented mechanism. This policy goes along with the widening cooperation with other nations and the promotion of foreign investment. Thanks to the implementation of this policy, we can observe that the national economy has a regular and continuous growth. The gross domestic products increases annually, prices and exchange rate have been stabilized and the living standard of the people has been improved, thus reinforcing the security and the stability in all over the country. We are implementing the socio-economic development programme from now to year 2000, with the aim of withdrawing the country from underdevelopment by making use of all the existing potentials and of all the global forces of the country in close connection with cooperation, assistance and investment from outside. We promulgated the national constitution and several laws aiming at building progressively the state of laws within the country. We are also in the process of improving our policy including the elaboration of laws and regulations in order to create a favourable environment and to create confidence among the foreign investors. Along with this we are implementing a foreign policy of peace, independence, friendship and cooperation with foreign countries without any distinction of the political regime and on the basis of five principles of peaceful coexistence. In our foreign policy, we always give a special focus on the strengthening of the relations with all the neighbouring country and will continue to implement this policy of strengthening the relations and cooperation in a consequent manner on the basis of mutual interest. With this spirit in mind, I believe that my present visit to the Republic of Indonesia

will mark a new step in the strengthening of cooperation in the fields of politics, economic, cultural, scientific and technical and investment between our two countries.

Joint Committee Deems Thai Border 'Peaceful'

BK2610063694 Vientiane Vitthayou Hengsat Radio Network in Lao 0430 GMT 25 Oct 94

[FBIS Translated Text] Implementing the memorandum signed between the Lao-Thai and Thai-Lao General Border Peacekeeping Cooperation Subcommittees following their meeting in Thailand's Chiang Rai Province on 24 September, on 20 and 21 October the Lao-Thai border subcommittee led by Colonel Bouasiang Chamaphan, deputy chairman of the subcommittee; and the Thai-Lao border subcommittee led by Lieutenant General Phisan Suprawat, deputy chairman of the subcommittee, jointly inspected areas bordering the Sianghonnongsa Special Zone in Laos and Phayao Province of Thailand and areas bordering Laos' Sayaboury Province and Thailand's Nan Province. The joint inspection was carried out with the coordination of the provincial border peacekeeping cooperation committees of the two countries.

In carrying out the joint mission, the two sides used aircraft to make aerial inspections. They also made ground inspections in certain areas where there was still confusion, with a view to clearing up doubts or mutual suspicion. They made concrete inspections in a border area connecting (Khouakhok) in the Sianghonnongsa Special Zone and Chiang Kham District, Phayao Province; and an area connecting Phiang District in Bolikhamsai Province and Mae Charim District in Nan Province of Laos and Thailand respectively. The two sides also made aerial inspections over areas which are sources of the Nam Bo, Nam Pom, and Nam Soung Rivers and areas of Phu Chaiyen Hill in Thai territory. They also made a ground inspection and met local residents in Nam Sang, Nam Souang, and Phu Chaiyen villages where Thai troops are stationed. In Lao territory, they made aerial inspections over areas in Ban Meuang village, Phiang District; and Houai Sat village. They also made a ground inspection in the Meuang Khok and Fai Namtan areas.

Later, on 22 October, at the (Sitthisak) Hotel in Nan Province, Thailand, the two sides signed a memorandum of understanding. They have unanimously agreed that as seen through the joint inspection of the aforementioned border areas, the general situation is calm and peaceful. Only Lao citizens have resided in Lao territory while only Thai citizens have resided on the Thai side. The two sides have also agreed to make further inspections in other areas. After signing the memorandum, they also held a news conference on the results of the joint inspection. The joint inspection of the border areas on this occasion proceeded in an atmosphere of good cooperation and mutual understanding. This shows the intention of the two sides to turn the Lao-Thai border into a

genuinely tranquil border of peace, friendship, and cooperation on the spirit of fraternity and good-neighborliness in accordance with the aspirations of the Lao and Thai peoples who wish to see the relations and solidarity between the two nations further strengthened.

*** Army Paper Sees Threat in 'Peaceful Evolution'**

94SE0260A Vientiane KONGTHAP PASASON LAO in Lao 14 Sep 94 p 1

[Editorial: "Strengthen Our Mastery of Peacekeeping in the Localities"]

[FBIS Translated Excerpt] Defending the localities so that they are peaceful is a critical responsibility of all our people. [passage omitted] The public security forces have been in control and have bravely followed and blocked every scheme and action of bad groups so that every locality is basically peaceful. [passage omitted]

Be that as it may, the bad groups not only have been unwilling to give up their evil schemes for disrupting the development of the nation and the new system of our people but have also added to their subtle tricks. For example they continue to push the scheme of peaceful evolution and so on, and they have used propaganda to break the solidarity between the army and the people and the local administrations and to break the solidarity between the localities and various ethnic groups. In addition they have tried to cause unrest in some places.

Because of this, our army and people will have to increase their awareness in order to defeat every scheme of the enemy in every case so that the localities are peaceful. In order to do this we must first train the people so that they absorb the policies of the party and clearly recognize the schemes of the enemy, especially their strategy of peaceful evolution. And we must resolve to strengthen the guerrilla networks and the public security forces networks, to increase the spirit of mastery for defending everyone's home, to strive to follow every operation of bad groups all the time, and to be prepared to punish them whenever they are recalcitrant and risk harming our people. [passage omitted]

Philippines

Legislature Moves To Scrap Air Pact With U.S.

BK2610081894 Manila MANILA BULLETIN in English 24 Oct 94 p B-1

[FBIS Transcribed Text] Moves to scrap onerous provisions of the present air transport agreement (ATA) with the United States are snowballing in both houses of Congress. Calls to scuttle the ATA, which have crossed party lines, have been dictated by one main goal: protect the country's priceless natural resource, air rights.

Senator Blas Ople, chairman of the Senate foreign relations committee, has warned that to allow the United

States to resort to "open skies" policy by 1996 would be disastrous to Philippine carriers.

"I stand strongly against allowing the provisions of the ATA with the United States to take their full course. The provisions of the ATA have been greatly lopsided against the Philippines and should be changed," Ople stressed.

Under the ATA, entered into by Manila and Washington in 1982, the United States would have "free access" to Philippine skies by October 1996 but would restrict Philippine carriers to only nine points in the United States.

Since the signing of the accord in 1982, the Philippines was able to squeeze an extension of the "free access" provision. The extension, however, will expire in September 1996, paving the way for the opening up of Philippine skies to U.S. airlines.

Panels from both countries will renegotiate the ATA in talks scheduled in Washington, D.C. 31 October to 2 November.

Opposition leader Senator Arturo Tolentino warned that any new accord with the United States that would run counter to the country's national interest would be rejected by the Senate.

Tolentino, a respected constitutionalist, said that any agreement entered into with the United States cannot be enforced unless reviewed and ratified by the Senate.

Senate President Edgardo Angara also called on the Philippine negotiators "to refrain from unilaterally giving away the nation's air rights without reciprocal benefits that would redound to the national interest."

Angara said that the outcome of the negotiations for an air pact would have a vast impact on the country's economy.

In the House, Rep. Jerome Paras, chairman of the House committee on transportation said the Philippines should move for the abrogation of the entire accord and push for the forging of a new one.

"It shall be a crucial meeting but we have to push for our stand to forge another agreement because the present one is too lopsided and disadvantageous to the Philippines," Paras said.

Paras said that the Philippine panel should be prepared to face a formidable U.S. team that would stress rights of U.S. airlines to fly anywhere in the world.

In its January 1994 issue, the Orient Aviation, a regional aviation monthly, quoted U.S. Secretary of Transport Federico Pena as saying that Washington will take action "through all available means" against foreign competitors whose governments discriminate against or fail to honor the rights of U.S. airlines. "No one should underestimate our resolve in this regard," Pena pointed out.

The magazine also quoted Rod Eddington, chairman of the aero-political committee of the Orient Airlines Association (OAA), as saying that the Americans can "talk one game and play another."

Eddington said that the United States has demanded open access to Asian routes "and in many cases given Asian nothing in return." This was the reason why, Eddington said, Thailand has recently frozen its bilateral accord with the United States.

Commentary Assails U.S. for Imposing Democracy

BK2610083994 Manila THE SUNDAY CHRONICLE in English 23 Oct 94 p 4

[Article by A.Z. Jolicco Cuadra from "The Tinted Monocle" column: "The U.S. War for Peace Will Never End"]

[FBIS Transcribed Text] Don't for a moment think that wars will end. Don't for a moment believe democracy hates war. Wars are democracy's excuse for being.

For as long as Uncle Sam is straddling and sitting on the hungry bellies of those nations he invaded (we were invaded during the Second World War again, he had no justifiable reason to raze Manila to the ground killing more of us than he did the Japs) to liberate them for democracy's sake, wars will go on. Now today he's just invaded Haiti and soon he'll invade Iraq. All for the sake of the American-dominated world of democracy. Under democracy, all things are possible with him, and God justified; you'll hear him roar and beat his chest, like the Lion King, like King Kong.

Uncle Sam is the biggest Jack-the-Giant, bully and killer. For as long as he wields a nuclear edge over his arch enemy Russia (the Russia Bear being his justification in pouring more billions of dollars in building his nuclear stockpile), war must go on, because they're his biggest business. This is one way of keeping away wars and revolutions from his sacred and holy shores.

With democracy comes Imperialism, or must I say Imperialistic Exploitation? (We've pegged our birthright to the dollar all our lives.) Tell me if there's anyone who has investigated deeply why America is desirous to pound Iraq into a pulp. The U.S. Oligarchs' investments abroad are extensive. Does it ever occur to us that if internationally, one owns or controls the banks, one owns or controls world oil, what then can't one own? Here—one sees the utter sanctimoniousness of the greatest Christian nation on earth—there I see it an oversized White Leghorn rooster that's continually cackling out loud, all for love of God and country, all for its tenets of Jeffersonian Democracy!

Why: in black-and-white Jeffersonian Democracy is to be greatly envied by us poor nations. Look at what it's done to us poor nations.

The Edsa [Epifanio de los Santos Avenue] revolution to give an example, ignited because of U.S. propaganda; it also bamboozled us later in believing that it was because of our inherent love for democracy and its restoration that made us fight the rule of Marcos. Little did we realize that we were guinea pigs in the laboratory experiment of Uncle Sam to show the rest of Asia and the world that he's a dear, benevolent, loving father figure; an exemplary one for us to see; for not a single bullet was fired, not a single drop of blood shed.

The first to happen in any revolution.

But my dear: when Peron took over the reins of Argentina as its president, he was carried by his people to the palace; not a single bullet was fired, not a drop of blood was shed.

But of course: when later Peron didn't bow to American pressure that its policies for his country be promulgated, Uncle Sam sent over his bully boys—the much-dreaded CIA gang—to masterplan his ignominious downfall. Anyway, we the poor nations must fear Uncle Sam's wrath, fear him more than we fear the Almighty.

Abundance is a blight, indeed. In the bloody hands of Uncle Sam (the United States at this point is suffering from the backlash of recession) it becomes a curse and destruction. Destruction is a blessing to trade. "Wars, H.G. Wells says, from the economic point of view, are the convulsive using up on an excess of production since there's no other method of distributing and consuming. The post-war increase war production goes on, in spite of endless palaver about disarmament...." This indeed damns the utter uselessness of the United Nations as the institution for World peace.

The UN will always sanction the war-invasions and CIA-cooked revolutions of the United States. So powerful is the U.S. War Lobby in the UN.

The U.S. military industrial complex rules worldwide. It rules through its bankers. Felix Greene says that the history of the bankers in the United States has been a long sordid tale of cheating the American people. Without capital accumulation and centralization, the U.S. corporations and banks would have been unable to finance either trade or foreign investments. (Let me add: the production of war materials and their sale and the financing of wars and revolutions.)

Wars will always be with us. Like the sham love of God. It's Uncle Sam's showy way of flexing his giant-bully-of-the-world muscles, of baring his nuclear fangs, to scare us all to kingdom come, for him to trample down with his democracy-oozing heels the anti-democracy nations.

Beware of the greatest nation that so arrogantly proclaims its greatest love for the Prince of Peace. It'll eventually brings us all to heaven, our eternal abode, by precipitating our one earth into the Nuclear Armageddon.

Beware of Uncle Sam's googoo-cute eyes, or is it panda-cute eyes, with his phallic Cuban, or is it Filipino, cigar, chumped between his teeth.

NDF Opposed to Government Talks With Factions

BK2610075794 Manila *THE MANILA CHRONICLE*
in English 22 Oct 94 pp 1, 2

[Report by Comfesor Manalo]

[FBIS Transcribed Text] The National Democratic Front (NDF) said yesterday it would be a mistake for the government to hold peace talks with leaders who broke away from the Communist Party of the Philippines [CPP] and the National Democratic Front [NDF].

Jose Maria Sison, NDF consultant to The Netherlands talks, said the regime would be bluffing if it talks with former rebel leaders, like Romulo Kintanar, Ricardo Reyes, Felimon Lagman, Benjamin de Vera and Ike de los Reyes.

On Friday [14 October] last week, the second exploratory talks between the government and the NDF collapsed because of differences on the issue of security guarantees for the planned formal negotiations in the Philippines.

As a result of the collapse, some government officials have urged the government panel headed by former Ambassador Howard Dee to talk with former leaders of the CPP who have set up their groups. But Sison said the former rebel leaders—Kintanar, Reyes, Lagman, Arturo Tabara, de Vera, and de los Reyes “are all exposed cooperators of the Ramos administration against the revolutionary movement.

“They have no guns except those issued to them by their military handlers in the AFP [Armed Forces of the Philippines],” Sison said.

It was learned that government negotiators were still finding ways of breaking the impasse on the issue of security guarantees which caused the collapse of the talks.

Members of the Dee panel said that the government could not accept the NDF proposal to issue its own security passes because that would in effect be giving belligerency status to the rebels.

The government panel has maintained that it can negotiate with the rebels but its mandate is premised on the idea of one country, one constitution and one army for the Republic.

Immediately after the collapse, Dee issued a warning to the NDF “to be part of the joint initiatives of our government and our people—or be relegated to irrelevance in the wayside of history”.

Interior and Local Secretary Rafael Alunan III also issued a statement branding the NDF as mere “pam-pagulo [trouble makers]” in the peace initiatives of the Ramos administration.

Alunan also belittled the capacity of the NPA to launch a major offensive against the AFP as he also welcomed the proposal of Dee to conduct negotiations instead with local insurgents identified as anti-Sison.

The government panel is drawing up plans of conducting peace talks with Kintanar and other anti-Sison rebels even though the NDF leadership has expressed its full rejection of the plan saying that they are the legitimate revolutionaries.

Sison also exposed the alleged corruption, anomalies and atrocities committed by the break-away communist faction against the “people and the revolution”.

He accused Kintanar of enriching himself with stolen NDF funds while he accused Lagman of organizing a group of holdup men that has misused the name of the Alex Boncayao Brigade and “has become a dung fly buzzing Trotskyite slogans.

“All these characters listed above have already made their peace with GRP [Government of the Republic of the Philippines]. They are the paragons of ‘relevance’, according to the psy-war operatives of the United States and Ramos and their paid hacks.

“It would be a big joke to deck out these vilifiers of the CPP, NPA and NDF as representing anything in the revolutionary underground,” the statement said.

Thailand

Deputy Premier Seeks Restoral of GSP Privileges

BK2610042294 Bangkok *BANGKOK POST* in English
26 Oct 94 p 19

[Report By Chatrudi Theppharat]

[FBIS Transcribed Text] The United States promises to remove Thailand from its Priority Watch List (PWL) when the Thai copyright law is enforced, according to Deputy Prime Minister Suphachai Phanitchaphak. He said Thailand would also ask the US to permanently restore tax privileges under its Generalised System of Preferences (GSP) scheme on 16 products exported from Thailand.

Dr Suphachai, who was in Washington from October 18-20, said US Trade Representative Mickey Kantor said Thailand would be removed from the list immediately after the copyright law, now before parliament, took effect.

Mr Kantor was quoted as saying the US would consider the GSP request in the light of whether it breached US labour and environmental laws.

Dr Suphachai said this might be unfair. Thailand was giving more attention to these matters.

Washington grants tariff cuts under GSP to promote the economies of developing countries.

Dr Suphachai said if the US applied domestic laws to GSP privileges for Thailand, Thai laws might be cited to oppose special treatment of US interests provided by the Thai-US Treaty of Amity. Some clauses in the treaty run against Thai laws.

"The US demands investment perks under the treaty for its investors here, but when Thailand cites the treaty for GSP status, it refuses saying GSP is bound up with domestic laws," he said.

He said he called for a committee to be set up to amend the treaty to benefit both sides, but the suggestion was rejected by his counterpart. But a sub-committee on Thai-US relations under the International Economic Policy Committee, which he chairs, would study ways to amend the treaty.

Labour issues and trade barriers to Thai products including frozen chicken and canned tuna were raised during the talks, he said.

Thailand told the US of its move to produce a white paper on ways to increase its ability to attract American investment, especially in small and medium industries.

Treaty Talks With U.S. Rescheduled for Nov

BK2510113894 Bangkok BANGKOK POST in English 25 Oct 94 p 17

[FBIS Transcribed Text] Prime Minister Chuan Likphai will meet with US President Bill Clinton to discuss the Thai-US Treaty during the Asia-Pacific Economic Cooperation (APEC) summit next month in Jakarta. Informed sources from Government House said the Prime Minister will raise discussion on the treaty during his scheduled talks with the US President, following the failure of a Thai delegation, led by Deputy Prime Minister Suphachai Phanitchaphak, to convince the US to agree to the amendment last week.

Dr Suphachai said the US was unwilling to amend the treaty as it fears the amendment will adversely affect US business interests in Thailand, which amount to more than \$10 billion.

Dr Suphachai said Thailand has proposed amending the treaty, which has been enforced for more than 27 years, that is now seen unilaterally beneficial to the US.

"We must tell the world that the US is unfair to us," Dr Suphachai said. He added that the amendment of the treaty is necessary to accommodate the General Agreement on Tariffs and Trade (GATT), under which Thailand is obliged not to provide privileges to any individual country.

MP's Libel Charge Against U.S. Diplomats Dropped

BK2510144394 Bangkok Thai Color Television Channel 9 in Thai 1200 GMT 25 Oct 94

[FBIS Translated Text] Today the Criminal Court dropped the libel suit by Deputy Chat Thai Party leader Watthana Atsawahem against the U.S. ambassador and the USIS [U.S. Information Service] director. The suit charged that the public USIS statement, which said that the U.S. Embassy had denied a visa to Watthana on the grounds that there was reason to believe that he was involved in trafficking in prohibited substances, was libelous. The court issued an opinion that the two persons are diplomatic representatives and possess diplomatic immunity, and since they have not waived their immunity the court cannot try them. For this reason, it declined to accept the charge by Watthana.

Deputy Premier Comments on APEC Agenda

BK2610080094 Bangkok BANGKOK POST in English 26 Oct 94 p 32

[FBIS Transcribed Text] Efforts to set up an ad hoc committee to develop small and medium-sized industries will be a major topic at the Asia-Pacific Economic Cooperation (APEC) group summit in Jakarta next month.

Thailand proposed last weekend at a ministerial-level meeting between Japan's Ministry of International Trade and Investment (MITI) and APEC in Osaka that emphasis should be placed on small and medium-sized industry development.

Deputy Prime Minister Suphachai Phanitchaphak said that although the Committee on Trade and Investment (CTI) was part of APEC, it had never helped develop industries in APEC members. It was about time APEC paid more attention to this.

At the APEC-MITI meeting Dr Suphachai said APEC members wanted Japan and the United States to help develop human resources and link trade and investment information between the two countries and APEC, which needed technology transfers. However, he said cooperation between Thailand and Japan to develop supporting industries had progressed significantly under Thailand's Board of Investment (BoI) and the Industry Ministry.

In another development, the National Petrochemical Industry Committee will select categories of plastic resins eligible for import duty cuts to meet the demand of small and medium-sized industries, especially those related to the automobile industry.

Industry Minister Phonthep Taechaphaibun said the Council of Economic Ministers on Monday agreed in principle to cut import duties on some plastic resins to attract foreign investors.

*** Suphachai Outlines Export Drive Plans**

95SE0002B Bangkok NAE0 NA in Thai 20 Aug 94 pp 13, 19

[FBIS Translated Excerpt] [Passage omitted] Mr. Suphachai Phanitchaphak, the deputy prime minister, talked about the progress made in revising the draft White Paper in order to increase our ability to compete against other countries. He said that steps should be taken to categorize items by industry so that it is clear what improvements need to be made in each industry. This must be done so that we can increase our share of the world market from 0.9 percent to 1.74, which is the target for the year 2000.

As for revising the customs protocols, it has been suggested that these be changed in accord with the GATT measures and that we implement measures similar to those of our competitors. The cabinet has already approved this. The number of rates has been reduced to 6, that is, 0, 1, 5, 10, and 30 percent [as published]. The Ministry of Finance is now considering this. This should be concluded in the near future. Revisions will be made in line with the tariff reductions made within the AFTA [ASEAN Free Trade Area] framework. An ASEAN economic ministers conference will be held in Chiang Mai in September.

As for revisions concerning technology and human resources, the Ministry of Labor must serve as the activist in revising and clarifying things. This can be done by looking at each industry to see what the labor needs are in each branch so that more labor training institutes can be established.

The draft White Paper does not give special preference to the private sector. The purpose is to change those rules and regulations that pose an obstacle to Thai industries so that our industries can compete on world markets within the framework of free trade and a development strategy to disperse growth to the countryside and rural areas, which is a basic policy of the government.

Mr. Suphachai said that the draft White Paper does not go into the details of expanding Thai industry abroad. The BoI [Board of Investment] has stipulated the details. However, this is important because Thailand now has the capability to produce technology for export. This will become very important in the future. Thus, formulating a policy for promoting Thai industry abroad will become more and more important. The BoI must consider this carefully, and he will summarize the draft White Paper as soon as possible and submit it to the prime minister.

The National Industrial Development Committee held a meeting on 19 August. At the meeting, representatives from the private sector and the Industrial Council recommended that a coordinating center be established to monitor trade with other countries. The private sector has asked the state to provide financial support using funds from the export development fund.

Defense Official To Head Cambodian Coup Panel

BK2610044694 Bangkok BANGKOK POST in English 26 Oct 94 p 9

[FBIS Transcribed Text] Thailand has shown Cambodia it is willing to cooperate by setting up a committee to investigate the suspected involvement of Thais in the July coup attempt, Deputy Foreign Minister Surin Phitsuan said yesterday.

"Thailand has tried to cooperate fully to clarify the situation. The establishment of an investigation committee is one of our attempts," he said.

Prime Minister Chuan Likphai has instructed the permanent secretary for defence to head a enquiry into allegations that Thai soldiers and the National Security Council were involved in the failed coup.

Mr Surin also said he expected the nine Thais due to appear in court in Phnom Penh tomorrow on charges of involvement in the failed coup to be given a fair trial and to be treated with kindness by Cambodian authorities.

"The Thai Embassy in Phnom Penh has reported a better trend with the Cambodian side looking more and more to the long-term relationship between Thailand and Cambodia," he said.

Cambodians are coming round to the idea that the nine had no part in the coup attempt.

Mr Surin also sought to downplay the possibility that foreign minister-designate Thaksin Chinnawat was involved in the coup attempt.

"I think you have to give credit to those involved in investing in Cambodia. I don't know where the allegations came from and for what purpose they were intended, but one should refrain from comment."

Army Commander Gen Wimon Wongwanit said Cambodia should release the nine Thais for the sake of bilateral relations.

Mr Chuan yesterday discounted unofficial reports the Cambodian authorities would release the nine.

"Whether they will be released is a matter for the court to decide," he said. "No statement by any one person, however important that person may be, can be taken as a 100 per cent guarantee."

The Prime Minister said he would not be drawn into answering questions on the investigation he ordered into the alleged involvement by Thai officials in the failed coup.

"Emphasising this point will make it seem as if we were involved. "I have spoken with the Defence Minister and met with the permanent secretary of defence and asked him to chair the investigation."

Defence Minister Gen Wichit Sukmak said the permanent secretary was looking at the composition of the

investigating committee which is expected to comprise representatives from several government agencies.

Mr Surin said the five Thais released by Cambodian authorities in August would only appear in court in Phnom Penh on a voluntary basis.

Justice Minister Sawai Phatthano questioned Cambodia's juridical process yesterday, citing reports the nine suspects had not been questioned. He also said there was a need for a law to assist Thai nationals facing charges in countries which do not share a juridical agreement with Thailand.

* Cambodia Coup Suspect Explains Events

95SE0002A Bangkok NAE0 NA in Thai 26 Aug 94 p 5

[FBIS Translated Excerpt] "They said that I would be paid a salary of 10,000 baht a month and be given free room and board there. I felt that that was a lot of money, and I didn't have to pay an agent's fee. And so I agreed, because working as a samlor [motorized three-wheel taxi] driver, I couldn't earn that much in three months here," said Prayat Phuthong, who once worked as a samlor diver on Pradiphat 15 Lane, about what induced him to go to Cambodia. But in the end, he was arrested by the Cambodian Government on charges of participating in the attempted coup against the Cambodian Government. He and 13 other Thais were arrested last July. [passage omitted]

Prayat is a native of Chum Phae District, Khon Kaen Province. He quit school after Grade 4 because his family is very poor. At age 17 he left for Bangkok in the hope of finding a good job. [passage omitted]

Every day, Prayat got up very early and earned money by driving a samlor, which is also called a "saleng," along Pradiphat 15 Lane. He earned less than 100 baht a day. One day, a man named Mut, surname unknown, who drove a motorcycle for hire on this same lane, started talking with him and urged him to go to work at a shoe factory in Cambodia. He seemed to be a very congenial person and the salary was very tempting. Also, he didn't have to pay an agent, and he didn't have to buy the airplane ticket or pay any other personal expenses. Thus, Prayat and eight other people who lived on the same lane decided to go to work at that shoe factory in Cambodia.

"Before I left, a man named Ti, surname unknown, arranged for me to get a passport and bought my airplane ticket. A few days before we left, each of us was given an advance of 5,000 baht. I bought some clothes and took 200 baht with me. I gave the rest to my wife. When I arrived at Don Muang Airport that day, two men whom I had never met before were waiting for me. They escorted me to Phnom Penh."

A total of people 12 people were on that flight, that is, the 2 strangers and the 10 who were going to Cambodia to work (9 were from Pradiphat Lane and 1 was from somewhere else). When they arrived in Phnom Penh,

three Thais and a Cambodian driver were waiting. When they reached Phnom Penh, the two strangers who had accompanied them got into a Mercedes Benz and left, leaving the Cambodian driver to take the 13 Thais who had come to Cambodia to seek their fortune to a hotel. None of those men were familiar with that hotel.

The 10 men who had left Bangkok in the hope of earning 10,000 baht a month stayed at the hotel under the watch of the Cambodian driver for 2 days and 2 nights without any sign that they would be put to work.

"On the third day, the driver took us out to eat, and we met the two men who had accompanied us to Phnom Penh. They gave each of us \$100. That night, my friend Mut said that we would have to return to Thailand the next day because there wasn't any work. When he said that, I thought he probably had some problems. I didn't suspect anything. The next morning, the three men whom we had met at the airport gave us a Cambodian exit card to sign and led us to the exit gate, but the passport control officials asked all 13 of us to wait. We had no other choice but to sit and wait. A few minutes later, the loudspeaker told passengers to hurry and board the aircraft. But the Cambodian officials refused to let us board. They said that there was a problem with our passports and that we didn't have a visa. They said that they would have to detain us. Another man, whom I didn't know, presented his passport and encountered the same problem. From there, they took us to the Immigration Department for questioning."

As for how he felt at that time, Prayat said that when he was taken away by the Cambodian officials, he became alarmed. "I was afraid that they were going to kill me or put me in prison. Everyone tried to say something even though they didn't understand. We used sign language, but it didn't do any good. We all did everything we could in an effort to be allowed to return home. But our efforts were to no avail. Finally, they detained us at a hotel. I felt somewhat relieved, because at least they hadn't put us in prison."

When they were first detained, all 14 were detained in one place, with 3-4 people kept in a room. When they were questioned, six to eight people would be questioned one at a time. On the 13th day, some people were moved elsewhere. Prayat said that he does not know where the others were taken. No one knew what fate had in store for them. No one knew what would happen the next minute. All they knew was that they had to obey orders. And they weren't allowed to talk to each other. [passage omitted]

"When I was detained, I didn't know what the charges against me were. I thought that it had something to do with my passport. Whenever I asked the officials, they said that they didn't know. I asked the ambassador when he came to visit us, but he told me to remain calm and that he would handle things. Finally, I was taken to the Thai Embassy. There, Thai and foreign reporters were waiting to interview me. That was when I realized that I

had become a well-known figure. The ambassador asked me if I knew what the charges against me were. He showed me a video showing what had happened. That was when I learned that I had been charged with being a rebel."

That is the story of one of the 14 Thais who became pawns in this game. Even though five have now returned home safely, no one knows when the other nine will be allowed to return home. As for the five who were allowed to return home, even though they are now free, how can they be compensated for the terror that they experienced during the 47 days that they were held captive?

*** Government Considers Energy Imports, Exports**

95SE0001A Bangkok MATICHON in Thai 15 Sep 94 p 6

[FBIS Translated Text] Mr. Piyasawat Amaranan, the secretary general of the Office of the National Energy Policy Board (NEPB), talked about purchasing electricity from Malaysia. He said that it will be difficult to do that because that would entail investing a large amount of money in an electricity transmission system. Because of that, electricity costs would be very high. Moreover, there is no need for Thailand to rush to obtain electricity from Malaysia, because we already have power plants in the south. If we do in fact purchase electricity from Malaysia, we probably won't purchase more than 300-600 megawatts. As for Malaysia selling gas to Thailand, that is not very likely either. Malaysia and Thailand were not able to reach an agreement and so Thailand has revised its electricity procurement and investment plans.

"Buying electricity from Laos is quite feasible, and the picture has become much clearer since the signing of the memorandum of understanding on the initial purchase of approximately 1,500 megawatts of electricity. The Lao Government sent investors in several hydroelectric power plant projects to discuss selling approximately 3-4,000 megawatts of electricity to Thailand."

Mr. Piyasawat said that other projects to purchase electricity from Laos, particularly the Nam Thoen 2 project, are experiencing problems. The fees and income taxes collected by the Lao Government are not the same and because of this, electricity prices vary. For the Nam Thoen 2 project, the fee is 10 percent and the income tax is 30 percent. But for the Nam Thoen-Hin Boun Project, for which an agreement has already been reached on the price of the electricity, the fee is only 5 percent and the income tax is 15 percent. The Lao Government feels that the Nam Thoen 2 Project has a better rate of return on investment than the first project.

"Because of the uncertainty regarding Lao policy on this matter, the cost of electricity produced by the project under negotiation has risen to \$5.2 per unit. But per the agreement, the cost of electricity produced by the Nam Thoen-Hin Boun Project is only \$4.3 per unit. Thailand

has asked Laos to review this policy, because if it is not revised, it is much less likely that we will purchase electricity from Laos."

Royal Announcement on Cabinet Reshuffle Issued

BK2610060694 Bangkok Radio Thailand Network in Thai 0530 GMT 26 Oct 94

[FBIS Translated Text] Announcement on removal and appointment of cabinet ministers

Royal signature: Phumiphon Adunyadet

His Majesty King Phumiphon Adunyadet has graciously commanded that it be announced that per his appointment of Chuan Likphai as prime minister in accordance with the announcement dated 23 September 1992 and the appointment of cabinet ministers to administer the country in accordance with the announcement dated 29 September 1992, and the latest announcement dated 14 July 1994, the prime minister has informed him that since several ministers have resigned, it is appropriate to appoint ministers to fill the vacancies and to reshuffle some posts for the sake of suitability and bureaucratic benefits. Empowered by Article 159 and Article 171 of the Constitution of the Kingdom of Thailand, his majesty the king has approved the following removals and appointments of Cabinet ministers.

1. Removing Bunchu Rotchanasathian from the post of deputy prime minister,
Squadron Leader Prasong Sunsiri from the post of foreign minister,
Colonel Winai Somphong from the post of communications minister,
Chamni Sakdiset from the post of deputy interior minister, and
Adison Phiangket from the post of deputy education minister.

2. Appointing Sukhawit Rangsitphon as deputy prime minister,
Major General Chamlong Simuang as deputy prime minister,
Phimpha Chanprasong as minister attached to the Prime Minister's Office,
Vice Admiral Rot Wiphatphumiprathet as deputy defense minister,
Police Lieutenant Colonel Thaksin Chinnawat as foreign minister,
Samut Mongkhonkitti as deputy agriculture and cooperatives minister,
Wichit Suraphongchai as communications minister,
Sudarat Keyuraphan as deputy communications minister,
Chatchai Isakun as deputy commerce minister,
Udon Tantisunthon as deputy interior minister,
Wanmuhamatno Matha as deputy interior minister,
Sarit Santimethanidon as deputy education minister,
Thinnawat Marukkhaphithak as deputy public minister,

Krasae Chanawong as minister of State University Bureau.

This is to be effective immediately.

Announced on 25 October 1994, being the 49th year under the reign of the present king.

Countersigned by Chuan Likphai, prime minister

Chuan Rules Out Policy Changes

*BK2610045994 Bangkok BANGKOK POST in English
26 Oct 94 p 1*

[FBIS Transcribed Text] Prime Minister Chuan Likphai reaffirmed yesterday that government policies will continue unchanged by the new ministers who are expected to take office immediately after the royal command.

Mr Chuan said the list of new ministers was forwarded to His Majesty the King for approval yesterday morning. The official announcement of the names is pending a royal command.

The new ministers will be briefed about their work by the former ministers to enable a smooth handing over of duties, the Prime Minister said.

Mr Chuan said he was confident the ministers will follow government policy which is more clearly set out than any others under past governments.

The Premier declined to comment on speculation that Phalang Tham Party leader and deputy prime minister nominee Maj-Gen Chamlong Simuang will defy government policy by inviting public companies to invest in a project to tackle traffic problems in Bangkok. He said there would be no problem as long as every minister realises his or her own personal "limitations" and the given role.

Chuan on Job of New Deputy Premier

BK2610090094 Bangkok Radio Thailand Network in Thai 0530 GMT 26 Oct 94

[FBIS Translated Text] Newly appointed Deputy Prime Minister Maj. Gen. Chamlong Simuang will take over the responsibility for solving the traffic problem. He will continue with the work that has been carried out and is believed to be able to get along well with everyone. Prime Minister Chuan Likphai talked to reporters at the National Assembly this morning.

[Begin recording] [Chuan] He will have to continue with the work because some guidelines have been set and considerable progress has been made over the past two years. Practically, the work must continue, but something new may also be added on.

[Reporter] At present, someone is concerned that Maj. Gen. Chamlong, who is known to be rather resolute, may overhaul work that has been done on the traffic. What do you think?

[Chuan] If he can continue with the work effectively, then it is good.

[Reporter] Do you think he can coordinate work with you?

[Chuan] Yes, I think so.

[Reporter] As the traffic issue has been brought under your supervision, will you assign this task to Maj. Gen. Chamlong again?

[Chuan] I will assign persons to the jobs they have done before, except if they want a change. In principle, the deputy prime minister will be assigned to oversee the responsibilities of party members in each ministry. This is aimed at eradicating or lessening conflicts. I myself will also help oversee the entire range of tasks, parts of which are not covered by the deputy prime minister.

[Reporter] Will the new ministers be like hot water being poured on the trees you have planted?

[Chuan] No, I think everyone is willing to work. We should wait and see.

[Reporter] As of now, can you say that current conflicts in the coalition parties have been settled?

[Chuan] You would have to ask each party.

[Reporter] Are you worried about the continuous moves by Phalang Tham Party members against the party's decision on the new Cabinet line-up?

[Chuan] I believe each party can take care of itself. I have talked to the outgoing ministers. They have all pledged to give us their full cooperation because they have also shared in most of the accomplishments of the past. Don't worry too much. [end recording]

PDP 'Rebels' Expected To Join Solidarity Party

*BK2610044494 Bangkok BANGKOK POST in English
26 Oct 94 pp 1, 3*

[FBIS Transcribed Text] The Solidarity Party looks set to be the big winner in the current cabinet reshuffle with many of the 25 rebel Phalang Tham [PDP] MPs and outgoing ministers expected to join Uthai Phimchai-chon's party at the next general election. A faction source said yesterday the disenchanted PDP members felt they could no longer stay with the party following the bitter conflict over the reshuffle of all 11 party ministers.

"We have agreed on this and the direction is that we will join the Solidarity Party," he said.

The source said Mr Uthai the incumbent commerce minister, would remain party leader but the rebels want Winai Somphong to serve as secretary general and Bunchu Rotchanasathian as chairman of the party advisory group. He said the northeastern members of the faction were most likely to join Amnuai Wirawan's Nam Thai Party out of electoral necessity. They include

Adison Phiangket, who holds a seat in Khon Kaen's Constituency 1 where Mr Amnuai will be running in the next election.

Sources in the PDP's administrative committee, which is dominated by the temple faction in conflict with the rebels said the rebel faction now only had about 10 MPs left because most had agreed to support the party's cabinet reshuffle.

Those still unhappy with the move include Prasong Sunsiri, Mr Adison, Col Winai, Chamni Sakdiset, At-ong Chumsai na Ayutthaya and Khruawan Samana.

The rebels joined forces when the party decided to replace all 11 of its ministers by a team comprising five non-MPs. Sqn Ldr [Squadron Leader] Prasong headed the resistance to the outsiders.

PDP leader Chamlong Simuang then compromised by dropping three non-MPs and another nominee accused of corruption and replaced them on the list by four MPs. But he insisted on maintaining non-MPs Thaksin Chinawat and Wichit Suraphongchai.

This appeased some of the rebels. Maj-Gen Chamlong is still expected to try to woo Col Winai around to his way of thinking as the former transport minister has been the PDP leader's right-hand man.

Many party administrators also want to propose that Mr Bunchu be appointed to a newly-created position of chairman of the party advisory group.

Sources also said the temple faction, particularly those closest to Maj-Gen Chamlong, have agreed to maintain a "low profile" and allow the rebel MPs to play a leading role in Parliament since they no longer have a role in the administrative branch. They also said the administrative committee wanted to make Mrs Khruawan, former secretary to the Transport Minister, chairwoman of the House Environment Committee.

Most of the secretary positions to the new ministers will also be shared among rebel MPs in an effort to appease them and end the conflict.

Many of these rebels have never held any posts within the party or government. They include Wilat Chanthaphithak, Somphat Kalayawinai and Sutham Saengprathum.

Solidarity Party secretary-general Chaiyot Sasomsap said yesterday he had not been contacted about the possible influx of PDP members but could not speak for other members of his party.

Mr Chaiyot, the Deputy Commerce Minister, said it was normal for political parties to separate and regroup.

"They (the rebels) are not bad people. If we open our hearts wide, then we will see that they are fine. They have not been severely criticised and there is nothing politically ugly about them," he said.

* Morale, Organization Issues Plague Police

94SE0261A Bangkok ATHIT in Thai 19-25 Aug 94 pp 12-17

[FBIS Translated Excerpt] "Not all policemen are corrupt. There is at least one honest policeman—the Police Department monument." (Joke within the Police Department) [passage omitted]

The Police Department has more than 190,000 men, or approximately 200,000 men. That is an average of 1 policeman per 519 people. Prime Minister Chuan Lik-phai has said that our police force is not too small as compared with some of the developed countries such as Japan. But what is different is the "structure" in administering these forces. The Police Department mirrors Thai society, that is, 80 percent of its 200,000 men are "low-ranking" policemen who are paid low wages and who are poorly trained. The other 20 percent, that is, the commissioned officers, have a chance to receive technical training and have quite a lot of power. Furthermore, the Police Department in Bangkok, which is located in Pathumwan, is the center of power.

The Chuan administration agrees that the administrative structure of the Police Department needs to be overhauled. That was made clear just after this administration took office. Mr. Banyat Banthathan, the deputy prime minister, and General Chawalit Yongchaiyut, the minister of interior, expressed great enthusiasm for this idea. Finally, the "Committee To Develop and Improve the Police Department" summarized the contents of the measures to overhaul the structure of the Police Department in two reports:

1. A report on overhauling the structure of the Police Department.
2. A report on dispersing Police Department administrative power.

But when it came time for the director-general to submit the matter to the minister of interior, only one of the study documents, that is, the report on overhauling the structure, which has now been implemented, was submitted. This report emphasizes only "reducing the command period." The report on "dispersing administrative power" was shelved. Police General Sawat Amonwiwat, the then director-general of the Police Department, who submitted the study document at that time, claimed that those proposals were made at a time of intense political activity within the Police Department and so he did not submit the second study document. Police General Prathin Santipraphop, the new director-general of the Police Department, has said that he has tried to find that second document on dispersing administrative power but says "we don't know where that document is." Thus, instead of "overhauling the structure of the Police Department," which is considered to be a major task involving "reforming the Police Department," all that has been done is to "reshuffle people" within the Police Department.

An important point that has not changed at all is that "power," including power having to do with discipline, welfare, personnel, budgets, and logistics, is wielded by Police Department divisions at Pathumwan. The Police Department's budget has increased every year. In 1989, the department's budget was 10,554 million baht. By 1994, this had increased to 28 billion baht, and the budget for fiscal 1995 is approximately 30 billion baht. But those who formulate the budget and those who oversee the use of the budget funds are all located at the "center." Regardless of whether they are at the "division" level or some other level, most are at the "Pathumwan Police Department."

An interesting phenomenon frequently noticed by the committees studying the matter of overhauling the structure of the Police Department is that "the Communications Division has the power to decide which provincial units and police stations nationwide will receive communications equipment." Dr. Woradet Chantharason concluded that "just one division controls things in 600 districts. It comes as no surprise that when a provincial police station wants a telephone, it may take that police station 18 months to get it. This is because the requisition must first be approved by the provincial commander or provincial governor. It is then sent to the Police Department, where it is forwarded to the Communications Department. This division then prepares a letter in the name of the Police Department and submits it to the director-general or assistant director-general. After the letter has been signed, it is then sent to the Telephone Organization of Thailand in order to request a telephone number. And so on and so on."

This way of allocating power is not just for telephones. That was just an example to illustrate the use of power regarding other things, such as weapons, vehicles, manpower, welfare benefits, and so on. In all cases, the fact is, power is still located at the "center" even if the "structure" of the Police Department has been changed.

Police Major General Achirawit Suphanphesat, the head of the Police Personnel Development Institute, has encountered this situation. As an example, he cited the real nature of the police in "a province" (which could be any province) in a story entitled "The Feelings of a Principal." In this, he discussed the real nature of the police in that province:

Vehicles: There are 50 cars that have been in use for more than 10 years. About half are in constant need of repair.

There are 20 government motorcycles, of which only 5 can be used. The rest can't be used. Almost 90 percent of the motorcycles used belong to the policemen. They have to pay for them, maintain them, and buy the gasoline so that they can serve the people.

Weapons: Only 9 percent of the policemen have been issued pistols. The rest have purchased pistols on their own.

Communications equipment: Ninety percent of the equipment is personal equipment.

Housing allowance: An allowance is given to only 25 percent of the policemen. Of these, more than half live in squalid conditions.

This situation is not true just of the provinces. This is also the case at police stations throughout the nation, because the power to make decisions rests with the "Pathumwan Police Department." Take the 3d Local Police Station in Bangkok, for example. The police station has only 30 weapons, but there are 80 policemen working each shift. Because of the shortage of weapons, the full complement of men cannot be sent out on patrol. Instead, the number sent out is limited by the number of weapons available.

The social situation of Thai policemen is similar to that in countries where "the poverty of the majority" forms the foundation for the "wealth and power of the minority." Police Major General Achirawit Suphanphesat said that when he was the police superintendent in Kalasin Province, "I was responsible for the lives of the 1,400 policemen and 1 million people in the province. But my salary was only 18,000 baht a month. At the same time, the principal of a school with only 20 teachers and 400 students was paid more than me."

What he saw in Kalasin Province was: "Just after I was appointed police superintendent there, I conducted a study to determine how much money the 1,400 policemen there owed to various people. Altogether, they owed a total of 28 million baht, which was an average of 20,000 baht per policeman. Obviously, morale was poor. I had to take a collective loan for 10 million baht from the Krung Thai Bank in order to pay off the debts, and I am still standing guarantee for that loan today."

In view of the declining image of policemen, there have recently been many reports of "disasters" in police circles. That is, policemen have committed suicide to escape the various pressures.

In Chachoengsao Province last April, Police Colonel Chaiwat Chamnanphut, the police superintendent and deputy provincial police chief in the province, shot himself in the right temple using his 9-mm pistol. He killed himself because he was "despondent about his work." The house where he lived was in a state of ruin, the water pipes didn't work, and he was being investigated by the "disciplinary division."

In October 1993, Police Sergeant Suphachai Unachiran-grak, a police detective with the Nonthaburi provincial police station in Bang Kruai District, committed suicide using a 38-caliber pistol because he was despondent about his debts. He earned a salary of 5,001 baht a month, but after paying his debts, he had little left to live on, perhaps 800 baht one month and 600 baht the next. The month before he committed suicide, he had only

385.50 baht in his account, which was hardly enough to support his wife and two children.

In August 1994, Police Corporal Bunsom Siwichai, a highway police squad leader in Rong Kwang District, Phrae Province, committed suicide using a 357 magnum pistol. He was despondent because of being unfairly transferred.

In July 1993, ATHIT, which at that time was still named KHAO PHISIT, printed a story about a "police slum" at Precinct 1, Special Branch Department. More than 200 special branch police who were homeless lived there. Living conditions there were worse than those in the Khlong Toei slum. That article appeared in 1993. In July 1994, it was reported that the 52 million baht requested by the Special Branch Division to purchase equipment had been cut to just 571,600 baht. [passage omitted]

Dr. Woradet Chantharason said that "I am sure that there are many good policemen. There are only a few bad policemen. But the important thing is that the good policemen can't do anything to help the people, because they are hampered by the system."

Both Dr. Woradet and Police Major General Achirawit agree that even though the Police Department's budget is small, this is understandable in view of the country's revenues. And the "ratio of policemen" referred to by the prime minister is something that cannot be denied. This is because this is not very different from the situation in the developed countries, where a ratio of 1 policeman per 519 people is sufficient.

But the important thing that is different from in the developed countries is the unchanged "structure of the system." Moreover, the attempts by this administration to make structural changes have not all "gone according to plan." Or they have simply amounted to "reshuffling commanders" without "dispensing power."

Dr. Woradet admits that the Police Department is one of the "Thai units that has expanded the most." But the units that have expanded are the "divisions," not the police stations or provincial police stations in the sub-districts, which form the foundation for relations between the police and the people.

Besides Police Major General Achirawit and Dr. Woradet, there are many other police officers, including Police General Sawat Amonwiwat and Police General Prathin Santipraphop, who agree that the "boss" of the police at present is not the "people." They also agree that the best system is one that will enable the people to play a role in overseeing or controlling the police in place of the "officers at the Pathumwan Police Department."

After he was transferred to the Ministry of Interior, Police General Sawat Amonwiwat said that "it's time that the police were put under the control of elected provincial governors."

Police Major General Achirawit Suphanphesat has said that "democracy is growing stronger and stronger. There is no way to stop this. The police must change their views. They must accept the people's representatives. From now on, people who want to solve the country's problems must rely on the democratic process. Those who want to control the bureaucracy must gain their positions using democratic methods."

He emphasized that "almost every time that I give a lecture, I tell people that we would be happy to be under the control of an elected provincial governor."

Dr. Woradet said that "with respect to the Police Department's budget of tens of billions of baht, because the existing structure tends to concentrate power, this causes problems in allocating the budget funds. The funds don't reach policemen at the lower echelons, which means that those funds do not benefit the people."

Dr. Woradet said that of the almost 200,000 policemen, 87 percent have never had a chance to attend seminars. Only 12 percent have attended the training courses for superintendents, the management courses, and the command courses. [passage omitted]

Vietnam

Vo Van Kiet Receives U.S. Admiral Richard Macke

BK2610011994 Hanoi VNA in English 1500 GMT
25 Oct 94

[FBIS Transcribed Text] Hanoi VNA Oct 25—Prime Minister Vo Van Kiet received here today the US military commander Richard Macke who arrived here today for talks with Vietnamese officials on progress in the searches of Americans missing in action in the Vietnam war.

Prime Minister Kiet welcomed Admiral Macke's visit [words indistinct] a fine contribution to the early normalization of the relations between Vietnam and the United States in conformity with the aspiration of the two peoples. The prime minister spoke highly of the initial economic cooperation between businessmen of the United States and Vietnam. He stressed that the said cooperation is beneficial to both countries and of great significance in the maintenance of peace and stability in the region and the world at large.

Admiral R. Macke highly valued the Vietnamese Government's 'wonderful cooperation' [words indistinct] the remains of the Mia's He expressed his [words indistinct] the economic, scientific and technical cooperation for the mutual benefits between the two (?countries). On the same day, Admiral Macke had working sessions with Vice Foreign Minister Le Mai, Vice Defence Minister Nguyen Thai Bung and Vice Interior Minister Le Minh Huong.

Nguyen Thi Binh Receives Former French Premier*BK2510152594 Hanoi VNA in English 1500 GMT
25 Oct 94*

[FBIS Transcribed Text] Hanoi VNA Oct. 25—Vice President Nguyen Thi Binh received here this morning former prime minister of France Mr. Michel Rocard, who is now on a visit to Vietnam.

At the reception, Vice President Binh informed the French former prime minister of the achievements recorded by the Vietnamese people in their cause of socio-economic development and national construction [word indistinct] years. She expressed thanks to the French Government and people for their support and effective assistance to Vietnam and contributions to the promotion of the friendship and cooperation between Vietnam and France.

For his part, former prime minister Michel Rocard expressed his satisfaction at new step in the development of the relations between Vietnam and France in the past time and his belief that the relations would be further consolidated in the interests of each country.

French Ambassador to Vietnam Jean Francois Nougarede was also present at the reception.

Killings Cause Panic Among Vietnamese in Cambodia*BK2610045894 Hanoi Voice of Vietnam in English
1000 GMT 24 Oct 94*

[Station commentary]

[FBIS Transcribed Text] The Khmer Rouge on 20 October attacked two Vietnamese families in Kompong Chhnang province in Cambodia, killing seven people, including three children under four, and wounding three others. The barbarous move has once again touched off indignation. Following are our radio comments.

During its regime, the Khmer Rouge not only massacred millions of Cambodian people, turning Cambodia into a huge detention camp, but also killed and took away many Vietnamese nationals who have been living Cambodia for a long time. During the implementation of the Paris agreement on Cambodia, the Khmer Rouge always took of the issue of Vietnamese residents in Cambodia as a pretext for its unjustifiable act against the agreement, and conducted a number a massacres against the Vietnamese nationals. And when a new law on immigration which contains some points not in favor of Vietnamese residents was adopted, the Khmer Rouge increased its attacks on Vietnamese nationals.

Concerning the attack on 20 October, a spokesman for the Vietnamese Foreign Ministry vehemently criticized the Khmer Rouge's act, and called on the Cambodian

Royal Government to take drastic measures to put an end to all terrorist acts against the Vietnamese community in Cambodia.

It was stated in a press release issued last Saturday. Vietnam at the same time drew public attention to the [word indistinct] of design of the Khmer Rouge to take advantage of the current situation to arouse racial hatred, undermine neighborly relations between the two nations, and cause panic among ethnic Vietnamese in Cambodia. The Overseas Vietnamese Committee on Sunday also issued a press release on the incident. The committee called on the Cambodian Royal Government to punish the criminals according to international law, especially the international convention which Cambodia has adopted. The convention states that Cambodia will be responsible for the security of Vietnamese residents in Cambodia.

After the massacre, the United Nations High Commission for Refugees [UNHCR] in Cambodia held a press conference in Phnom Penh, criticizing the Khmer Rouge's move. A UNHCR official said that Vietnamese nationals in Cambodia are very much more worried about life now than they were during the period when the UN-sponsored elections were held in Cambodia. The UNHCR spokesman called on the Phnom Penh government to take measures to stop the Khmer Rouge's atrocious act.

German Bank Helps Modernize Financial System*BK2610074094 Hanoi VNA in English 0655 GMT
26 Oct 94*

[FBIS Transcribed Text] Hanoi VNA Oct. 26—A high-ranking delegation of Deutsche Bank led by Simon Murray, group chief executive for Asia-Pacific is now on a visit to Vietnam.

In discussions with First Vice Prime Minister Phan Van Khai, State Bank Governor Cao Si Kiem, Minister Phan Van Tiem and other high ranking officials of the Vietnamese Government, Mr. Murray reiterated the commitment of Deutsche Bank to play an important role in the modernisation of Vietnam's banking system and the integration of Vietnam into the international financial world.

Present in Vietnam with two representative offices since 1992, Deutsche Bank ever since has deepened its co-operation with the major Vietnamese banks, both state-owned and joint-stock. It has established credit lines up to two years for some banks to facilitate exports and imports, prepared long-term export credit agreements to come into force as soon as the German export credit insurance (Hermes) will be available, organised seminars on foreign exchange, credit and capital markets. Deutsche Bank's Thailand unit has been a co-lead-manager for Vietnam's first ever syndicated loan. Subsidiaries of Deutsche Bank active in Vietnam include Morgan Grenfell, which is the financial adviser for some major oil and

gas projects and prepares to set up a Vietnam fund, DB Capital Markets (Asia) which is assisting Vietnam in its preparations to tap the international bond market, and Roland Berger, which qualified for a project on restructuring state-owned enterprises of Vietnam.

Deutsche Bank is said to be one of the favourites for the next round of approvals to establish a full branch in Vietnam.

UNDP To Invest in Human Potential Development

BK2610011694 Hanoi VNA in English 1500 GMT 25 Oct 94

[FBIS Transcribed Text] Hanoi VNA Oct. 25—The United Nations Development Programme (UNDP) said yesterday that it would spend more than USD 30 million over the next two years in new programme aimed at developing the potential of the Vietnamese people. This is in line with its current focus which recognises (?human development) as the prime mover in the development process.

In an interview to mark United Nations day, the UN resident representative, Mr. Roy D. Morey, said the money would go towards people-centred programmes which bring about sustainable human development—the philosophy by which the UNDP would assess its programmes from now on.

Said Mr. Morey, 'Sustainable human development occurs when an environment is created in which people themselves have more responsibility for their own development and greater opportunity to use their creativity, drive and imagination to make a better life for themselves and their families.

The UNDP plans to put more emphasis now on capacity building and training, two areas which will get the bulk of the USD 30 million. In the past the UNDP tended to concentrate on technological transfer in its projects with considerable funding for the purchase of equipment.

Sustainable human development will also require the development of strong non-governmental professional groups, said Mr. Morey. 'In fifty years of UN experience, we have found that there is no growth without a strong, viable, non-governmental sector. The growth of this sector here in Vietnam is vital to sustaining development', he said.

Looking ahead to the large UN role in the [word indistinct] era, Mr. Morey said the biggest challenge to the UN is the same as the country's major challenge which is to create an environment in which people can lead long, healthy and productive lives.

'The challenge for UN agencies in Vietnam is to be sufficiently flexible and innovative to meet the rapidly changing demands of the country. This country is moving so fast that the UN organizations will have to run very quickly to keep up,' Mr Morey said.

Further on Proceedings at National Assembly

Vo Van Kiet Report, Last Part

BK2510140594 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 21 Oct 94

["Fifth and final installment" of Prime Minister Vo Van Kiet's socioeconomic report delivered at the opening of the Ninth National Assembly's Sixth Session in Hanoi on 20 October—read by announcer]

[FBIS Translated Text] 4. Exploiting new favorable conditions for developing foreign economic activities.

Our party and state's correct foreign policies have created important factors for expanding our foreign economic relations through various means. In 1995 we must concentrate efforts on accelerating exports, actively carrying out joint investment projects reached with foreign countries, promptly using the obtained financial aid for development, participating in the activities of international and regional economic organizations, and promoting marketing to find new markets for our products and new trade partners.

Regarding foreign trade, as far as our current national economy is concerned, it is necessary to effect changes in the foreign trade activities. We must strive to optimally exploit all the export potentials of our nation while striving to effectively strengthen import management to meet the requirements in economic development and enhance results in using all sources of energy at home and capital from abroad. We must strive to reduce the trade deficit. Efforts must be made to improve the trade regulated task in accordance with the macroeconomic management method in the market economy by using various economic measures. However, the Ministry of Trade must formulate policies and measures to set up major business establishments to effectively carry out foreign trade activities, encourage economic units of all components at home to compete in a healthy manner, and take measures to prevent acts that may weaken our capabilities in doing business with foreign countries.

We must strive to reduce to the lowest point all trade transactions made through mediators while striving to strengthen our customs regulations. We should not maintain the current rundown export system and surrender to smuggling. In particular, the Ministry of Trade must strive to satisfactorily carry out the marketing task, correctly predict market developments at home and abroad, and effectively help economic units carry out their business activities. It is necessary to enhance the role of trade union organizations in business circles so as to accelerate their maturity while creating favorable conditions for expanding trade relations with foreign countries. Efforts must be made to encourage support services for foreign trade activities such as the control of prices and the quality of goods, finding markets, and promoting credit, and so forth.

Concerning the efforts to attract direct foreign investment capital, our country now is an attractive place for this kind of capital. However, this advantage can be developed only by applying a correct economic development strategy and the elimination of current inconveniences, negative procedures, and red tape. It is necessary to remember that to effectively attract direct foreign investment capital we must strive to harmoniously meet the different requirements of our nation's current economic development process. We must accelerate exports, create more jobs for our workers, strive to obtain technological transfers, and promote the production of goods to replace the imported items.

Acting on the realities and applying the experiences drawn from the previous years in this regard, the government has made efforts to revise various regulations on such issues as the consideration of projects, the allocation of land, the setting up of a land tax index, and the granting of licenses for construction projects. We must implement the one-door principle [nguyeen tawcs mootj cuwar] to attract more foreign investment to better serve our nation's economic development strategy. We must strive to overcome the current situation in which foreign investment has not satisfactorily served the requirements for setting up industrial branches for our nation's future benefit. We must encourage economic sectors to positively participate in attracting foreign investment within the framework of the government's economic development plans and policies.

Regarding the search for development aid capital, thanks to our nation's economic potential and our correct foreign policy, we have the capabilities to attract this kind of capital. However, we must strive to positively revise various inappropriate regulations to attain high results in this regard. First, we must satisfactorily carry out a campaign to attract a larger volume of this capital to meet our requirements. Moreover, we should remember that the donor countries also have their own requirements. We must also effectively carry out tasks at agencies responsible for planning and mapping out strategies while satisfactorily making preparations for providing our corresponding capital [voons doois uwns] as well as on supplying other means of production at home such as land, manpower, natural resources, raw materials, and locally made equipment.

The government has promulgated the regulation on mobilizing and using the development aid capital. Various sectors and localities must seriously implement this regulation to avoid the obstacles and setbacks we experienced in 1994. Only by fulfilling this task will we be able to quickly increase the volume of this capital and create more favorable conditions for its mobilization in the ensuing years.

5. Carrying out education reform and striving to train and foster our people.

First, we must vigorously improve the contents of our education system at all levels with the aim of enhancing

the quality of our nation's very valuable human resources. The tasks that can be carried out immediately include the revision of the elementary education system to suit future training and work purposes, conducting research on setting up sub-sections for high-school education, enhancing the quality of schools in the mountainous regions, rearranging the university network, and improving teaching and learning methods. We must make great efforts to organize refresher courses to retrain and foster the contingent of our cadres and civil servants. The scientific-technological research work must be carried out in parallel with our nation's new requirements for development. We must step by step include the teaching of foreign languages in the curriculum for secondary education level while encouraging cadres and civil servants to study foreign languages. Training of our cadres abroad must be urgently planned and implemented.

In 1995, we must strive to set up public health posts in all villages, improve our mobile public health teams to help enhance the people's physical fitness in mountainous and remote areas and offshore islands, and improve the quality of treatment at hospitals and first-aid stations.

In particular, from 1995 we will encourage all people to use iodized salt to prevent goiters and mental retardation, and we will continue to accelerate programs for clean water and sanity in rural areas and prevent other epidemic diseases.

The population and family planning work must continue the tasks outlined for the 1993-1995 period and cover the last one-third of the remaining villages and subwards. It should pay particular attention to reviewing the recorded achievements and disseminating information on exemplary cases to other localities.

We need to pay special attention to preserving and developing cultural values and national characteristics. In the process of broadening exchanges and cooperation with foreign countries, this requirement becomes more important because this is one of decisive factors for preserving our national identity, which is an indispensable requirement for our integration into and competition with the outside world. General speaking, the government has tried to allocate a higher funding for this work. However, it is of no less importance that we further mobilize public contributions, improve the system of community schools and insurance funds, and adopt different measures to persuade the public to work with the government in carrying out this task.

6. Renovating the national administrative system in conjunction with efforts to carrying out economic renovation.

The renovation process and economic development have reached a point which require us to fundamentally reform our current administrative system and structure. The current administrative structure is not only unable

to carry out its functions and duties, but it might also become an obstacle for national development.

A key requirement for us now is to improve the management capacity of the administrative system so that government offices and officials will be able to meet their work demands in the new situation. We thoroughly understand that administration reform is closely linked with current economic, political, and social structures; national customs; and traditions and that it is one of key factors for ensuring a successful implementation of the party's line and the state's laws in all socioeconomic fields. It is impossible to imagine that all the party's correct guidance and lines can be satisfactorily executed by an incompetent administrative mechanism.

The administration reform must be carried out at the beginning of 1995. It must be closely linked with economic renovation and achieve practical progress in improving the sufficiency of the national administrative system through the following measures:

- Regarding the relation between the administrative system and the public, we must continue to reform our administrative procedures and resolve to eliminate all superfluous procedures. We must closely supervise this reform and inform the public of any progress so they can understand and oversee it. We must build a structure to establish the people's right to participate in state affairs. We must publicly announce administrative procedures and improve the dissemination of information on state affairs to the public. In particular, it is necessary to set up administration tribunals, which are democratic establishments to fight against bureaucratism, authoritarianism, arbitrariness, and violations of the people's rights.
- Regarding the relation between different sectors and levels of the national administrative system, it is necessary to impose concrete reforms on the structure, the organization, and the personnel to make the administrative mechanism clean, capable, and active; it is necessary to stop and gradually eradicate the situation of dissipation and lack of discipline and responsibility; and, at the same time, to avoid the situation of bureaucratic centralism. 1995 must mark significant progress in order, discipline, and conformity with the law in the state mechanism as well as in the entire society. We must retrain civil servants and train new officials for the implementation of a new civil service system and civil servant statutes that will be introduced by the government.
- Regarding economic fields, the highest goal of administration reform is to create an environment in which all activities and social resources will bring back benefits. We should not allow capital to lay idle. A part of business profits must be contributed to the state budget and social welfare service. We will encourage every economic sector to find ways of conducting their long-term business. We do not impose any limit on amassing wealth, but we demand that people conduct

their business within the bounds of the law. Therefore, administration reform is also an important instrument for introducing democracy into the economy, thus further clarifying our path toward making the population prosperous, the nation powerful, and society equitable and civilized.

In 1995, together with the acceleration of administration reform, we need to apply all measures to practice thrift, establish regulations for the management of the state budget and public property, and further accelerating the fight against corruption and smuggling by adopting policies and regulations that will improve production and prevent smuggling and corruption. At the same time, we must strictly prosecute and punish violators of the law.

In the great field of socioeconomic activities for next year, the six tasks that I have mentioned are very important. They represent a close synthesis of economic renovation and administration reform. The practical acceleration of those six tasks will speed up the entire process of national renovation and development, thus creating concrete achievements in 1995 and providing the means for strong development in subsequent years.

Assembly Chairman Speaks 21 Oct

BK2610024194 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 21 Oct 94

[Statement by National Assembly Chairman Nong Duc Manh; place and date not given—recorded]

[FBIS Translated Text] It is obvious that among the reforms that need to be carried out, administration reforms are the most urgent. Among the administration reforms, the most basic and extremely urgent is the task to make our state administration structure more and more honest, steadfast, effective, and efficient.

All inconvenient and lengthy procedures and intermediate formalities should be reduced. Services should directly aim at people and be responsive to people's demands and aspirations and the demands of all sectors and all echelons, not to serve the providers alone. The new administration should be genuinely for the people, of the people, and by the people.

It is necessary to point out that we are going to listen to reports from the government about its decrees regarding the public service and government policies, and with the capacity of a supervising organ we hope that administration reforms will be implemented soon, followed by fundamental reforms for the national administration system.

Deputies Discuss Budgetary Tasks

BK2610082294 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 24 Oct 94

[FBIS Summary] "Dear friends: This morning National Assembly deputies held group discussions and in the afternoon they met in the Ba Dinh Conference Hall on

the government's report which evaluates the implementation of socioeconomic tasks in 1994 and projects orientations and directions for 1995, and also to discuss the state budget.

"In general all deputies agreed with the government assessment about the socioeconomic situation in 1994, in particular the assertion that socioeconomic targets for the year are achievable and can be exceeded. Cultural and social activities continued to grow, and national defense and security are constantly consolidated. The deputies, however, also contributed to measures to overcome shortcomings in industrial and agricultural economic development."

Speaking during the session, Deputy Le Dinh Thanh of Vinh Phu said that although industry grew at 13 to 14 percent this year in terms of volume of goods, there have been no new merchandise items and development of local and agricultural industry is still sluggish.

Deputy Pham Hung of Hai Hung stated that the government needs to re-evaluate the effects of natural disasters which have occurred during the year on agricultural production. He also urged the government to review its decision to hold back funds for capital construction projects in order to contain the budget deficit. Deputy Huynh Thi Nhan of Ho Chi Minh City held that investment in agriculture is still inappropriate and leads to a situation where food imports are still necessary. Hoang Dinh Cau of Ha Tay suggested that in 1995-96, more efforts should be made to improve the grass roots medical facilities network.

"Dear friends, at the end of the afternoon session, the National Assembly deputies heard opinions from 10 deputies on the evaluation of 1994 budgetary tasks and orientation tasks for 1995. Tomorrow, the National Assembly will continue to work at the Conference Hall to discuss the issues of budget revenue and expenditures, import-export policy, import targets, the inflation rate, and domestic production relations."

Communique No. 5 Issued

BK2610014694 Hanoi Voice of Vietnam Network in Vietnamese 1430 GMT 25 Oct 94

[“Communique No. 5” issued by the Sixth Session of the Ninth National Assembly on 25 October]

[FBIS Translated Text] The National Assembly Office issued Communique No. 5 indicating that today, 25 October, the National Assembly held a plenary session at the conference hall in Hanoi under the direction of National Assembly Vice Chairman Nguyen Ha Phan to discuss the implementation of the 1994 tasks, the orientations and tasks for 1995, and issues related to the state budget.

A total of 24 deputies expressed their viewpoints. They included Nguyen Hoa Binh from Ha Bac province, Dinh Xuan Thanh from Lang Son, Nguyen Van Ti from Gia

Lai, Tran Thanh Hong from Tra Vinh, Vu Quan Phuong from Hanoi, Nguyen Ngoc Tran from An Giang, Nguyen Van Thuan from Binh Thuan, Huong Thi Nhi from Lau Cai, Tran Van Ngau from Ben Tre, Nguyen Dang Lam from Quang Nam-Danang, Vu Thi Ngoc Dau from Thai Binh, Nguyen Duc Kien from Hai Hung, Nguyen Van Tu from Dong Nai, Tran Quang Ngoc from Nam Ha, Lam Thuc Co from Yen Bai, Nguyen Thi Hoai Thu from Tien Giang, Vo An Bang from Dac Lac, Ngo Hong Khanh from Can Tho, Vo Nguyen Quang from Thua Thien-Hue, Le Minh Chon from Dong Thap, Nguyen Thi Le from Quang Ninh, Pham Van Minh from Kien Giang, Le Duc Duoc from Thanh Hoa, and Nguyen Khac Tao from Ha Tinh.

The deputies focused their discussion on the following issues:

- Investment development and the changing of the economic structure in areas inhabited by ethnic minorities and mountainous regions.
- Implementation of project 37 on planting trees on denuded hills.
- Improving education, enhancing the public health system, and building a new culture with a modern face while maintaining national characteristics.
- Firmly maintaining national defense and security to effectively serve the renovation undertaking.
- Situation and measures aimed at strengthening the struggle against corruption and smuggling and opposing and containing social vices.
- Implementation of the 1994 state budget and working out the 1995 state budget.
- Measures to effectively stop shortfalls in tax collection.
- Effective measures to mobilize capital at home and abroad to serve the national industrialization and modernization process.
- The granting of licenses for projects and the management of capital.
- Policies on the contingent of local cadres and so forth.

Tomorrow, 26 October, the National Assembly will continue its work at the conference hall.

TAP CHI CONG SAN

*** TAP CHI CONG SAN for August 1994**

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Editorial: Hold Fast to the Guiding Fundamental Viewpoints in the Industrialization and Modernization Process in Our Country

943E0023B Hanoi TAP CHI CONG SAN in Vietnamese Aug 94 pp 4-6

[FBIS Translated Text] If we want to make the people prosperous and society just and civilized and to advance the country to socialism step by step, we must definitely develop productive forces with ever higher social labor productivity. Without strong productive forces with high social labor productivity, we cannot talk about socialism. But to have strong productive forces and high social labor productivity, we cannot rely only on an agriculture in which manual labor is used; on the contrary, we must strongly develop industry along with renovating and constantly modernizing technology to lay the foundations for the fast growth, high efficiency, and steadiness of the entire national economy. In other words, we must carry out industrialization along the line of modernization. Industrialization is a necessary developmental stage for those states that want to move forward from a backward agricultural economy. This is a common trend in history.

In the present time, industrialization does not merely consist of developing industry or heavy industry on a priority basis, nor does it simply mean increasing the speed and proportion of industrial production. *Industrialization is a process of basically and comprehensively changing production, business, service, and socioeconomic management activities from using mainly manual labor to universally using labor power in conjunction with advanced and modern technology, means, and methods. This change, based on industrial development and scientific and technological progress, is aimed at creating high social labor productivity.* Industrialization consists of two very basic elements: providing advanced scientific and technological equipment for agriculture and other sectors of the national economy and building a new economic structure with a modern industrial-agricultural and service structure as its core. Thus, industrialization must be linked with modernization to gradually create new material values with a high technological standard and to achieve in the main the building of the material and technical base of socialism.

For Vietnam, a backward agricultural country advancing to socialism, carrying out industrialization and modernization is an even more urgent demand and a central task of foremost importance for the entire period of transition to socialism. Through industrialization and modernization we will create a new standard of socioeconomic development and will be able to avoid the danger of lagging farther behind other countries, to improve the people's material and spiritual life, to consolidate

national defense and security, to firmly maintain political stability, and to defend national independence and sovereignty.

Our party has always clearly seen the important position and strategic significance of the industrialization question. As early as the 1960's the party had already made and carried out many decisions on the line of socialist industrialization in our country. However, in the late 1970's and early 1980's, in view of the then socioeconomic crisis, our party advocated readjusting the scale and pattern of investment and concentrating on three major economic programs—namely grain and foodstuffs, consumer goods, and exports—in order to overcome the crisis, stabilize the socioeconomic situation, and create the premises for strongly promoting industrialization in the subsequent phase.

After a few years of carrying out renovation, to date, next to the weaknesses and deficiencies which we must continue to overcome, we have recorded important achievements, thereby creating the premises for gradually shifting to a new period of development—the period of advancing national industrialization and modernization one step further. **Those premises** encompass a series of factors including position and strength; material and spiritual conditions; economy, politics, culture, and social welfare; and domestic and foreign situation. Most importantly, we have been able to resolve the food problem in a relatively steady manner; to enhance the capability to provide raw agricultural, forestry, and marine materials for industry; and to control and push back inflation. The economy has begun to achieve accumulation from its own internal resources. The domestic market has been further expanded; the export value has increased significantly, temporarily meeting the demand for foreign currency needed for importing essential materials and goods. International relations have been broadened, creating proper conditions for us to win increasing direct investment capital, loans, and aid from various countries and international organizations. The sources of capital among the people remain substantial; the people's cultural standard has been enhanced; and the contingent of intellectuals and skilled workers has become increasingly numerous. The party and state have become more experienced in exercising leadership and administering management.

Compared with other countries in the world, Vietnam now enjoys very important **advantages**. Located in a region of strong development and lying astride the line of international and regional communications, our country is blessed with a favorable geographic and economic position, an abundant source of manpower capable of receiving new technology, relatively cheap labor, and diverse and largely untapped natural resources. As a country setting out after others, Vietnam can learn from the experiences of those who have gone before it and benefit from the world's advanced technology.

On the other hand, we are carrying out national industrialization and modernization in a situation replete with

difficulties and at a time when our country is being faced with **great and acute challenges**: The starting point of the economy remains very low; the infrastructure is deficient; the technological standard is backward; the source of capital is limited; the financial and monetary situation is still tense; inflation is not yet under firm control; the purchasing power of the domestic market remains weak; employment, hunger, poverty, corruption... remain burning issues; many areas remain very backward, particularly the mountain areas, the Central Highlands, the former revolutionary base areas; the world and region situation is developing in a complicated manner; various hostile forces are still carrying out schemes and actions against our country; and competition in economic and trade relations is rather fierce.

Therefore, industrialization and modernization cannot be conducted in hasty, subjective fashion. On the contrary, this is a process of continuous, arduous, and protracted struggling, requiring appropriate steps at each stage. In the years ahead, there will not be proper conditions yet for us to proceed in a comprehensive manner, on a large scale, and at high speed; we will be able only to "take one step forward." The Seventh Plenum of the Seventh Party Central Committee, having analyzed the advantages, difficulties, and real state of the country, and having taken everything into consideration, has pointed out the target of industrialization and modernization from now until the year 2000 as follows: Make an effort to fulfill and overfulfill the objectives defined in the strategy for socioeconomic development and prepare the necessary conditions for a higher stage of development in the next decade. Specifically, we must ensure that the gross domestic product will be increased from 2 to 2.5 times over 1990, with industry in particular to be increased by 13-15% annually on the average in order to raise the proportion of industry in the gross domestic product to over 30% by the year 2000.

The direction to follow to develop industry and technology on a priority basis in the years ahead is: Strongly push forward the industrialization of agriculture and rural economy; make every effort to develop the agricultural, forest, and marine products processing industries, the consumer goods and export industries, and the tourist and service industries in both the urban and rural areas. Transform, expand, upgrade, and selectively build the infrastructure in those sectors where there is the worst stagnation. Selectively build a number of heavy industrial installations in those vital sectors that are ready for them. Strongly develop processing and manufacturing industries, paying special attention to restoring and developing the engineering and electronic industries. Pay attention to a number of energy, metallurgical, and chemical projects and to the production of raw materials and materials.... Attach special importance to the development of defense industry; combine economic building with national defense; and effectively serve the needs of national defense. Develop research on and application of science, technology, education, training, health care, and

environmental protection in order to satisfy the demand of both short-term and long-term development.

In the process of achieving these objectives and implementing this industrialization and modernization orientation, it is extremely important that we must **firmly grasp and thoroughly understand a number of fundamental guiding viewpoints** laid down by the Party Central Committee. These viewpoints can be summarized into five points as follows:

1. Industrialization and modernization must strictly follow the socialist orientation. The conditions that would ensure compliance with the socialist orientation are: While developing the multisectoral economy, we must always make sure that the state sector is the leading one and that the state-operated economy and cooperative economy gradually become the foundations. The economy operates according to the market mechanism but must be managed by the state, which is the state of the people, by the people, and for the people. Economic growth must be closely linked with social progress and justice for the sake of the people's interests, cultural development, and environmental protection; attention must be paid to preserving and developing the national cultural characteristics. Special importance must be attached to fostering manpower sources to bring into full play the decisive strength of the human factor for the sake of human beings; attention must be paid to creating jobs for laborers, raising the people's intellectual standard and improving their material and cultural life. While encouraging people to enrich themselves, we must actively eradicate hunger and reduce and eventually wipe out poverty, particularly in the those areas inhabited by ethnic minorities and in the former revolutionary base areas. But the most decisive factor is that we must ensure the party leadership over the entire industrialization and modernization process.

2. National independence must be firmly maintained along with broadening international cooperation to fully exploit all sources of capital, of which the domestic source is decisive and the foreign source is important. Economic building must be combined with national defense and security.

We must persist in the strategy of strongly direct our efforts toward export; at the same time, we must replace exports with products that can be efficiently produced in the country. We must build an economy that is open to both the local people and the outside world. In each period of time we must bring into full play the comparative advantages of the entire country as well as each area, each sector, and each domain to ceaselessly enhance our competitiveness in the regional and global markets.

3. We must use socioeconomic results as the basic criterion for defining development plans and selecting investment projects and technology. With the exception of those organizations whose main task is to serve national defense and security and public welfare, for all other

businesses the most important criterion for efficiency is to do business in a profitable and legal manner. At the macro level, the state will consider the overall economic, cultural, social, national defense and security, and environmental results on both a short-term and long-term basis.

We must expeditiously exploit the strengths of the entire country, each region, and each sector. Adequate resources should be concentrated in important domains and localities so that they may achieve high efficiency at an early date. At the same time, we must pay attention to satisfying the essential needs of development in all regions of the country, work out policies in support of localities faced with difficulties, and strongly promote cooperation in development to ensure that all regions and all groups of population can benefit and enjoy the fruits of economic growth.

4. There must be appropriate policies and steps. Special importance must be attached to medium- and small-scale projects requiring little capital investment and promising fast capital recovery; a number of essential and efficient large-scale projects must be built. We must promote cooperation, division of labor, and mutual assistance and support among various kinds of business of different scales, using large businesses as the hard core.

We must attach special importance to in-depth investment to make the most of the existing production capacity and technology and must concentrate our resources in those areas that decide the competitiveness of products. We must regard scientific and technological development as the foundations of industrialization and modernization and as the factor ensuring steady national development. We must combine traditional with modern technology, giving priority to the kinds of technology that require little capital and generate a great deal of direct and indirect employment. We must strive to take shortcuts and gain a head start in those technological fields and areas for which we are ready and which are decisive to the industrialization and modernization process.

5. Industrialization and modernization are the cause of all society. The entire party and people must be united and singleminded, uphold self-reliance, make every effort to achieve efficiency in production, and, in particular, must uphold the sense of economy to achieve national industrialization and modernization.

If we grasp and correctly apply the aforementioned viewpoints, we will certainly achieve fine results in the process of implementing the Party Central Committee Resolution on Industrialization and Modernization, thereby gradually building a prosperous and powerful country and a just and civilized society. We will also certainly be able to avoid erroneous tendencies such as being either hasty and subjective or indecisive and hesitant, and such as veering toward either aiming for

economic growth only or allowing the country to lag farther behind economically.

Implementation of the Resolution of the Third Plenum of the Party Central Committee on Party Renovation and Reorganization in the Past Two Years: a Retrospective

943E0023C Hanoi TAP CHI CONG SAN in
Vietnamese Aug 94 pp 29-33

[Article by Le Huy Ngo, member of the CPV Central Committee and standing deputy director of the CPV Central Committee Organization Department]

[FBIS Translated Text] The Third Party Central Committee Plenum's Resolution on "Some Tasks of Party Renovation and Reorganization" came into being at a time when the world situation was undergoing extremely complex developments; when our people had recorded very important initial achievements in their renovation undertaking—although they were still unable to overcome the socioeconomic crisis; and when our party was faced with acute challenges pertaining to its survival.

Against that backdrop, "*renovating and reorganizing the party*" was aimed at carrying on and developing the fine traditions and great achievements of the party leadership over the revolutionary cause. At the same time, it was aimed at renovating thinking and party building in accordance with the current far-reaching and comprehensive socioeconomic renovation.

Owing to its appropriate policies, the Resolution of the Third Party Central Committee Plenum has been welcomed and actively implemented by large sections of cadres and party members and the masses. The resolution has been put into effect for just over two years, a period also devoted to simultaneously studying and concretizing it and organizing its implementation. Therefore, when evaluating the results of its implementation we must follow a objective approach and must base ourselves on the basic requirements and factors defined in the resolution. At the same time, we must examine the implementation of this resolution in relation to the process of implementing other party resolutions on socioeconomic affairs, national defense, security, foreign relations....

Generally speaking, as far as the most basic tasks are concerned, we can clearly see the following principal results:

1. On politics and ideology:

Political and ideological unity is a firm guarantee of the party's spirit. For this reason, various party organizations have attached great importance to arranging for cadres, party members, and the masses to study the Resolution of the Third Party Central Committee Plenum. Dissemination of the resolution has been tightly organized under many lively forms from the central level

to the grassroots. These activities at has laid the foundations of the ideological and political unity in the party.

The study of the resolution has been closely linked with the formulation of programs of action and the carrying out of the renovation undertaking to overcome the state of meaningless study and dissemination and to prompt all organizations, cadres, and party members to undertake practical actions, thereby bringing about change right in the daily life of the people and organizations.

Many party organizations have attached special importance to reviewing practice to create the basis for cadres' and party members' ideological unity regarding the renovation undertaking. Conscious unity both in the party and among the masses has been achieved on the basis of joint analyses and perception of the success and failure of various socioeconomic models.

Many party organizations have attached special importance to combining political and ideological indoctrination with education to enhance cadres' and party members' quality and ethics. They have promptly reviewed performance and cited those organizations, cadres, and party members whose fine work has won them the masses' confidence. At the same time, they have conducted inspections and promptly dealt with those organizations, cadres, and party members who have violated discipline.

Owing to our persistent leadership over political and ideological education and thanks to the positive impact exerted by the direct achievements of the renovation undertaking on the people's daily life, we have been able to consolidate the unity and raise the confidence of of large sections of cadres, party members, and the people in renovation and to assert the party's role. Revolutionary vigilance; the sense of struggle to defend the party's viewpoints and lines, to safeguard the monolithic unity within the party, and to oppose the "peaceful evolution" scheme of hostile forces; and the sense of responsibility of party committee echelons and large sections of party members for party building and for the party's leadership role in society have also been enhanced.

However, the aforementioned changes have been merely initial ones. The ideological situation in the party and among the people is still developing in a complicated manner. The negative influences of the market mechanism and open-door policy continue to affect party members and the masses daily. Meanwhile, ideological work still lacks effectiveness, and the review of practical experiences and theoretical research have failed to timely resolve the problems posed by renovation. Therefore, the positive factors and intellectual potential in the party and among the people have not yet been brought into full play.

2. On organization:

Political and ideological unity is guaranteed *by organization*. Reality has shown that the party exerts leadership not

only by means of line, policy, cadre-related work, and party members' exemplary conduct, but also by means of *organization. Organization is the party's strength.* The party leads the state and the masses through organization. Concerning organization, we have attached special importance to a number of aspects such as:

—*Consolidating and strengthening the system of party organizational system.* Because of historical conditions, the machinery of party organs and mass organizations still have many problems that must be studied if this machinery is to be perfected. Recently, we concentrated on resolving some major issues, namely: building and improving the organization of various party departments, party affairs committees, and party groups to ensure the party leadership over the state and all society. At present, there are 11 departments in the Party Central Committee. Each ministry and organ of ministerial level has a party affairs committee, and each political mass organization has a party group. We are studying the setting up of party affairs committees in some large, economically important businesses. We have finished formulating regulations on the functions, specific duties, and operational procedures of five forms of party bases (village, subward, organ, business, and school).

Experience has shown that all the aforementioned problems are complex ones calling for painstaking research and preparations in both theory and practice. We must clarify which problems are caused *by the leadership mechanism* and which are caused *by organization*; only on this basis can we develop a rational organizational model. Otherwise, our efforts will result in party organizations being "separated" then "merged" and "merged" then "separated" again and again, thus causing instability in the machinery and among cadres and making ideological and cadre-related work complex.

—*Correctly implementing the principles of party organization and activities.* Various party organizations have attached special importance to correctly implementing the principles of party organization and activities, thereby ensuring the party leadership over the political system and all society and making an important step forward in overcoming the state of lowering the party's leadership role and laxity in organization and activity. The principle of democratic centralism and the collective leadership system of party committee echelons have been strengthened, and democracy has been realized in party activities. In some places, internal disunity has been overcome, and the roles of the administration and mass organizations at all levels have been respected and brought into full play. Arrangements for the masses to participate in party building have become a must for party organizations; they have also become an increasingly important factor in ensuring that the party leadership is correct, objective, and scientific. Many party organizations have concretized and systematized the aforementioned issues, thereby transforming them into regulations for regular implementation.

All the important principles mentioned above have already been discussed for a long time, but only now have they been systematized into leadership regulations and procedures for each organization. They include the regulations on the activities of party committee echelons and their standing committees; the regulations on leadership over control work; guidelines for organizing the masses in party building, and so forth.

Party control committees at all levels have organized inspections of the implementation of those regulations. Thanks to that, the fundamental principles have been implemented in a relatively serious manner in party activities.

—*Enhancing the leadership and militancy of primary party organizations.* Strengthening primary party organizations' leadership role is a task aimed at ensuring that party resolutions are successfully implemented. Recently, the Secretariat of the Party Central Committee promulgated regulations on the functions and duties of primary party organizations and the standards of strong and pure party organizations. These regulations are designed to renovate the leadership and operational procedures of various party organizations in conformity with the new requirements.

Basing themselves on those regulations, many primary party organizations have formulated their own operational regulations. Various localities have virtually finished reorganization of party chapters and party cells according to population areas (hamlet, mountain village, urban quarter), thereby creating proper conditions for encouraging various party chapters to operate even more actively, exert leadership more comprehensively, and creating stronger ties between party organizations and the people. An effort is being urgently made to resolve the problems of weak and deficient primary party organizations and to deal with "hot spots" and negative phenomena. Although these have only been initial results, we have gained much experience in revamping weak and deficient primary party organizations.

At present, there is still much confusion in the building of primary party organizations in private economic units and in joint ventures with foreign countries. However, it is necessary to affirm that there must be party leadership in whatever forms of economic organization. The important point is that organization and leadership procedures must be in conformity with the characteristics of those economic organizations.

—*Improving the quality of party members.* A few years ago, party development seemed to have slow down somewhat; worse still, in some places no new party members were recruited for long periods of time. In the party, there were large numbers of old comrades, making the division of labor difficult; a number of party organizations have become less attractive. During the past two years, party development has improved: the party membership increased by 3.9% in 1992 and 0% in 1993. Most

of the new party members are youths, intellectuals, and workers, and this is a heartening sign.

Recently, we devoted an entire campaign of concentrated efforts to analyzing party members' quality to enable each primary party organization to clearly see the situation, quality, effectiveness, and circumstances of each party member, thereby creating the basis for a rational division of labor for each person and turning to good account the role he played in his organization. Regarding those comrades besieged with difficulties in daily life, the party has created favorable conditions for them to get rid of hunger and to alleviate poverty themselves. Concerning old and weak comrades, the party has adopted a policy to exempt them from party activities, to defer their activities, or to switch them to other activities. With regard to those comrades with a low cultural level, the party has devised for them a private tutoring system instead of applying a blanket solution to all party members of different cultural levels.

The party encourages its members to enrich themselves legitimately but does not allow them to engage in private capitalist economic activities. Regarding those party members who have carried out private capitalist economic activities, the party will help them switch to the forms of share holding and participating in joint ventures with state-operated economic organizations. This is a fairly complicated matter calling for further study and more specific regulations.

On cadres:

In the period of market economy and open-door policy, cadre-related work is both novel and complicated, a task posing quite new requirements for cadres in both virtue and talent. There have been shortcomings concerning cadres. These are the shortcomings regarding knowledge and experience, availability and talent, in particular the availability of business managers, foreign service cadres, and strategic-level leading cadres.

In resolving the cadre problem, various party organizations have gained new experience in and have paid attention to the following important questions:

—*The first question* is that specific standards of quality and ability must be set for each category of cadre, in particular leadership cadres and managers. Requirements of stable political skill and pure revolutionary quality are general standards for all categories of cadres. However, with regard to ability, there must be specific requirements for each category of cadre in different areas of work such as party work, state management, business management, scientific and technical management, literature and arts, work at the central and local levels, and so forth. The standards set must be consistent with the real state of the contingent of cadres and with the requirements of work, and must be concrete, not abstract. We should not lay down requirements that the contingent of cadre cannot meet yet and should refrain

from comparing the present incumbents with their predecessors, because doing so may easily drive cadre-related work into a dead end.

—*The second question* is that evaluation, selection, promotion, and management of cadres has been renovated. Recently the Political Bureau of the Party Central Committee has issued a new decision on cadre-related work. Various party committee echelons themselves are concentrating their efforts on formulating *democratic procedures* for cadre-related work from the stage of making preparations to the stage of making decisions on cadres, considering this a task of entire party committees, not of any *individuals*. Nor do these party committee echelons leave this task entire to the organization agencies. Each party committee echelon is accountable to the party for the management, use, and promotion of cadres, and for implementing democracy in cadre-related work to discover many talented and virtuous people; to ensure correctness and impartiality; and to ensure unity in the contingent of cadres.

—*The third question* is that the period of national construction with several economic sectors requires broad national unity. To meet this requirement, cadre-related work has expanded the sources of cadre selection; aside from the party-member source, we have paid attention to discovering eminent people among the masses, outstanding students in colleges, high schools, and so forth. These are new sources of vitality to provide the party and state with new members. Bigoted thinking in cadre-related work has been significantly overcome.

—*The fourth question* is that the problem of cadres' quality has attracted considerable public interest. Aside from the positive aspects, the switch to the market mechanism has also given rise to much negativism that is very serious in certain respects, hurting the party's prestige. This negativism is reflected in corruption, smuggling, and the squandering of public property. The party and state have organized a struggle to check and push back these negative practices. The important question is that we must satisfactorily organize our force, promptly uncover negativism, exert control, and deal with wrongdoings justly and strictly in accordance with the law. At the same time, we must perfect the management mechanism and the state legal system.

4. On the leadership procedures:

From the actuality of leadership work under the new conditions, we can see increasingly clearly that this is an important issue *deeply affecting the quality and effectiveness of the party leadership*. With regard to leadership procedures, in the past various echelons have paid greater attention to the following issues:

—Motivating the people, linking party building with the consolidation of the Vietnam Fatherland Front and mass organizations, and bringing into full play the role of party members in the mass organizations. Places that have satisfactorily carried out party renovation and

reorganization were usually those capable of relying on the administration and mass organizations, attaching special importance to organizing and leading the people to contribute ideas to party building, and satisfactorily organizing mass movements for practical actions.

—Developing democracy and pooling the intellect of cadres, party members, specialists, and scientists to enhance the quality of the decisions issued by the party. Prior to making decisions on its major resolutions relating to the people's livelihood, the party has not only collected views from party organizations at all levels but has also broadly solicited suggestions from retired cadres, the scientific circles, and the mass organizations.

—Broadening democratic discussions at all party committee echelons; creating proper conditions for party committee members to express their views; and holding votes on important issues.

Leading the organization of implementation and the concretization of party lines, positions, and policies is a difficult task requiring a very great amount of effort equivalent to the investment of intellect and time needed for the issuance of resolutions. Concerning the "Resolution on Party Renovation and Reorganization," the Political Bureau and Secretariat of the Party Central Committee have adopted no less than 43 accompanying decisions and regulations to direct the implementation of the fundamental points of the resolution.

—Building a mechanism to control the implementation of resolutions by party committee echelons and formulating regulations on inspections carried out by the Control Committees at all levels.

—Increasing the material facilities and means of information of party committee echelons and modernizing their operational procedures to save labor while enhancing their intellectual standards and work efficiency.

The more deeply we delve into the party's mode of leadership, the more clearly we see the confusion and weakness of the party's mass-motivating methods and leadership procedures, particularly in administrative and nonproductive units, in subwards, in private businesses, and in joint ventures.

After two years and more of implementing the Resolution of the Third Party Central Committee Plenum on Party Renovation and Reorganization, next to the results already obtained, there are also remaining problems. These is the still uneven progress in the effort to enhance the leadership ability and quality of party committee echelons and party organizations and to purify and raise the militancy of the contingent of party

members. The phenomena of *corruption*, *smuggling*, and wastefulness have not yet been rolled back. A section of cadres and party members whose quality has deteriorated has not been dealt with as required. The guidance of party committee echelons is still plagued by a number of noteworthy problems such as a lack of evenness and uniformity between different areas and basic forms of organization. The progress made in businesses, nonproductive units, and public organs is still slower than in the countryside and army and public security units. Renovation in upper-level party committees has not yet met the demand of primary organizations. A number of pressing issues such as corruption and smuggling suppression, strengthening of the contingent of key cadres, reorganization of the various departments of the party... are still being carried slowly and inefficiently. A number of localities have not yet closely combined party building with the implementation of political tasks. In these localities, guidance is only concentrated at the initial stage, then it becomes gradually more lax; guidance at selected points lacks depth; work is done perfunctorily and according to the old methods, therefore, results are limited.

In the days ahead, we should concentrate on satisfactorily dealing with the following issues:

—The strong and complicated development of the comprehensive renovation of the country requires that the party strive to surge forward and consciously and voluntarily renovate and revamp itself in order to enhance its leadership and militancy, thus proving itself worthy of its role as the leader, initiator, and vanguard of the renovation undertaking.

—We must attach great importance to linking renovation with reorganization. Those issues that are no longer appropriate must be renovated; those that are correctly perceived but not yet acted upon must be refined. We must attach special importance to four issues, namely: ideology, organization, cadre, and leadership procedures.

—The party must be deeply attached to the people, develop a tight mechanism for and adopt suitable forms of party-people relations, and create proper conditions for the people to participate in party building. This is one of the important conditions ensuring the correctness of the party leadership.

—We must attach utmost importance to concretizing the Resolution of Party Renovation and Reorganization to make it easier for primary party organizations to implement. We must guide the implementation of this resolution at selected points on an experimental basis first to gain experience for wider application later. We must promptly discover the initiatives of primary party organizations to supplement and refine the various measures concerning party renovation and reorganization.

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